

# Full Council

7 December 2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## Council Tax Reduction Scheme 2017/18

|                                   |   |
|-----------------------------------|---|
| <b>Final Decision-Maker</b>       | Full Council  |
| <b>Portfolio Holder(s)</b>        | Councillor Barrington-King, Portfolio Holder for Finance and Governance |
| <b>Lead Director</b>              | Lee Colyer, Director of Finance and Corporate Services                  |
| <b>Head of Service</b>            | Stephen McGinnes, Head of Revenues and Benefits Shared Service          |
| <b>Lead Officer/Report Author</b> | Stephen McGinnes, Head of Revenues and Benefits                         |
| <b>Classification</b>             | Non-exempt  |
| <b>Wards affected</b>             | All   |

### This report makes the following recommendations to the final decision-maker:

1. That the outcome of the public consultation be noted;
2. That the potential impact of the proposed changes on working age claimants with the protected characteristics of disability, age and sex, under the Equalities Act (2010) be noted; and
3. That the Council Tax Reduction Scheme 2017, as set out at Appendix D to the report, incorporating the changes within Appendix A to the report, be agreed.

### This report relates to the following Five Year Plan Key Objectives:

A Confident Borough – In providing financial support to low income households the Council will support communities enjoy good health and resilience to the challenges they may encounter.

### Timetable

| <b>Meeting</b>                   | <b>Date</b> |
|----------------------------------|-------------|
| Management Board                 | 28.09.2016  |
| Discussion with Portfolio Holder | 28.09.2016  |
| Cabinet Advisory Board           | 04.10.2016  |
| Cabinet                          | 27.10.2016  |
| Council                          | 07.12.2016  |

# Council Tax Reduction Scheme 2017/18

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To report the outcome of the public consultation on proposed changes to the Council Tax Reduction Scheme and make a recommendation on the 2017/2018 scheme.

## 2. INTRODUCTION AND BACKGROUND

- 2.1 Council Tax Reduction (CTR) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for the Council Tax Benefit (CTB) scheme administered on behalf of the Department for Work and Pensions (DWP).
- 2.2 As part of its introduction, central government set out a number of key elements:
  - The duty to create a local scheme for working age applicants was placed with billing authorities;
  - Funding was reduced by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
  - Persons of pension age, although allowed to apply for CTR, would be 'protected' from any reduction in support through regulations prescribed by central government.
- 2.3 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former CTB scheme but with a basic reduction in entitlement for working age claimants. In Tunbridge Wells, working age claimants must pay at least 18.5% of the council tax liability. The figure of 18.5% represented the 10% funding loss applied to the working age caseload across Kent. In other parts of Kent, the percentage varies.
- 2.4 Since its introduction in April 2013, our local scheme has been 'refreshed' annually for data changes, but the core elements remain as were originally agreed.
- 2.5 As mentioned above, the scheme is 'underpinned' by the Kent-wide agreement, which recognises that all the Kent districts (as the billing authorities) will seek to have a common 'platform'. The original three year period of that scheme ceased on 31 March 2016, but as reported to the Cabinet in September 2015, it was agreed with Kent County Council, Kent Police and Kent and Medway Fire & Rescue that the scheme would effectively 'roll on' for one more year (i.e. into 2016/17).
- 2.6 With funding for the scheme through Revenue Support Grant (RSG) subject to further cuts as part of the reductions in local government finance settlements, a

greater share of the cost burden has continued to fall on billing authorities and the other major precepting bodies. This has been one of the main catalysts for the scheme to be reviewed.

- 2.7 To review the scheme a group of finance officers from the Kent districts and major precepting authorities worked together to set objectives for the review which were agreed to be:
- Having regard to the reductions in grant and the financial pressures facing the Council, to make the scheme less costly (if possible) and more efficient in terms of its operation; and
  - To have regard to the impact such changes may have on vulnerable residents.

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### 3. AVAILABLE OPTIONS

3.1 Following consideration of a wide range of options (reported to Cabinet in June 2016) the conclusion was that the most practical option would be to maintain a scheme similar to our current scheme and consult on possible adjustments to make it more affordable.

3.2 The primary reasons were that:

- It is known to our claimants and largely mirrors the Housing Benefit (HB) system, reducing complexity;
- Our systems are adapted for this type of scheme and the changes can therefore be implemented with little additional cost; and
- Our staff are familiar with the administration of this type of scheme and, as it is aligned to housing benefit enabling us to continue to take advantage of 'economies of scale'.

3.3 Having completed that consultation the Council can decide to:

Do nothing – maintain the existing CTR scheme without making any changes and manage the reduction in funding through reductions in other services or changes.

Amend the existing CTS – The Council has identified and consulted on 13 possible changes to its scheme, as summarised at 4.1. The Council could implement all of the changes identified or any combination of changes.

The Council currently has a savings target of £1.1m to meet in 2017/2018 due the wider reduction in grant income. The changes outlined would contribute £76,000 towards that target.

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#### 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Given the financial challenge facing the Council it is recommended that the Council implements the changes set out within the consultation, subject to the amendments set out below.

|  | <b>Recommendation</b>    | <b>Reason</b>  |
|--|--------------------------|--|
| <b>Option 1</b> - Reducing the maximum level of support for working age applicants from 81.5% to 80%   | Implement                | Consultation findings support change.  |
| <b>Option 2</b> - Removing the Family Premium for all new working age applicants   | Implement                | Consultation findings support change.<br><br>Change brings CTRS in line with wider welfare system.                                   |
| <b>Option 3</b> - Reducing backdating to one month   | Implement                | Consultation findings support change.<br><br>Scope to address vulnerability through hardship scheme (option 13)                      |
| <b>Option 4</b> - Using a set income for self-employed earners after one year's self-employment  | Implement with amendment | Period extended to 18 months in response to consultation feedback.   |
| <b>Option 5</b> - Option 5 Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Reduction to four weeks | Implement                | Consultation findings support change.<br><br>Scope to address exceptional cases of vulnerability through hardship scheme (option 13) |
| <b>Option 6</b> - Reducing the capital limit from the existing £16,000 to £6,000   | Implement with amendment | Capital limit to be extended to £10,000 in response to consultation comments.  |
| <b>Option 7</b> - To introduce a standard level of non-dependant deduction of £10 for all claimants who have non-dependants resident with them.          | Implement                | Consultation findings support change.<br><br>Encourage work and simplify CTR scheme.   |

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| <b>Option 8</b> - To take any Child Maintenance paid to a claimant or partner into account in full in the calculation of Council Tax Reduction | Implement | Inclusion of maintenance income within calculation provides a level of support based on ability to pay.  |
| <b>Option 9</b> - To restrict the maximum level of Council Tax Reduction payable to the equivalent of a Band D charge                          | Implement | Consultation findings support change.<br><br>Limit based on average of band D promotes fairness and balance to interest of wider Council Tax payer.                        |
| <b>Option 10</b> - To remove Second Adult Reduction from the scheme  | Implement | Second adult rebate does not consider means of main householder. Support still available for low income households through main CTR scheme.                                |
| <b>Option 11</b> - To remove the work related activity component in the calculation of Council Tax Reduction                                   | Implement | Consultation findings support change.<br><br>Change brings CTRS in line with wider welfare system.   |
| <b>Option 12</b> - To limit to number of dependent children within the calculation for Council Tax Reduction to a maximum of two               | Implement | Consultation findings support change.<br><br>Change brings CTRS in line with wider welfare system. Promotes fairness and balance with interest of wider Council Tax payer. |
| <b>Option 13</b> - To introduce a scheme, in addition to Council Tax Reduction, to help applicants suffering exceptional hardship              | Implement | Consultation findings support change.<br><br>Provides flexibility to safeguard cases of exceptional hardship.  |

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## 5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Following a report to the Cabinet on 23 June 2016, public consultation was undertaken between 1 July and 24 August 2016.

- 5.2 The survey was carried out on-line, with a direct email to approximately 12,108 households and was promoted on the Council's website, social media and in the local newspaper. Paper copies were available in the Gateway and on request.
- 5.3 The survey was open to all Tunbridge Wells residents aged 18 years and over (i.e. people who pay Council Tax or receive Council Tax Reduction) with the results weighted according to the known population profile to counteract non-response bias.
- 5.4 A total of 1117 people responded to the questionnaire. The consultation results are provided at Appendix B.

### **RECOMMENDATION FROM CABINET ADVISORY BOARD**

- 5.5 The Finance and Governance Cabinet Advisory Board was consulted on this decision at its meeting on 4 October 2016 and agreed the following recommendation:

That the recommendation set out in the report be supported.

### **RECOMMENDATION FROM CABINET**

- 5.6 The Cabinet, at its meeting on 27 October 2016, endorsed the recommendations in the report.

## **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 A decision on the final scheme to be implemented is required by a meeting of Full Council. That decision will be publicised through the local media with those residents directly affected by the changes notified in writing of planned changes.
- 6.2 The revised CTRS will take effect from 1 April 2017 and be reflected in the Annual Council Tax bills to be sent in March 2017.

## **7. CROSS-CUTTING ISSUES AND IMPLICATIONS**

| <b>Issue</b>                            | <b>Implications</b>  | <b>Sign-off</b>   |
|---|--|---|
| <b>Legal</b> including Human Rights Act | The Local Government Finance Act 1992 provides a statutory duty to consult on a proposed scheme and Council to approve a scheme by 31 January 2017.<br><br>Consideration must be given to the finding of the | John Scarborough,<br>Head of Legal Partnership<br>26 May 2016 |

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|                                       | consultation and equality impact assessment in reaching a decision.  |  |
| <b>Finance</b> and other resources    | The National Council Tax Benefit Scheme was replaced with a locally determined discount scheme in 2013/14. This transferred the liability for Council Tax Benefits to the Council and has reduced the amount of Council Tax that can be collected. Since then, the Council's Revenue Support Grant has continued to fall and by 2018/19, all funding will have been withdrawn. The present scheme costs the Council and preceptors around £5.4m per year, but with the government funding cuts levied, benefit expenditure reductions need to be made to contribute to the overall savings that need to be made.   | Jane Fineman,<br>Head of Finance and Procurement |
| <b>Staffing establishment</b>         | No impact.   | Head of Revenues and Benefit                     |
| <b>Risk management</b>                | No impact.   | Head of Revenues and Benefit                     |
| <b>Environment and sustainability</b> | No impact.   | Head of Revenues and Benefit                     |
| <b>Community safety</b>               | No impact.   | Head of Revenues and Benefit                     |
| <b>Health and Safety</b>              | No impact.   | Head of Revenues and Benefit                     |
| <b>Health and wellbeing</b>           | No impact.   | Head of Revenues and Benefit                     |
| <b>Equalities</b>                     | <p>Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.</p> <p>The decisions recommended through this paper could directly impact on end users. The impact has been analysed and varies between groups of people. An equality impact assessment has found that:</p> <p>Current Scheme</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> All working age claimants have received a reduction in their benefit amount.</li> <li><input type="checkbox"/> Pension age claimants, who will also have protected characteristics, have not received a reduction, as they are protected from any changes.</li> <li><input type="checkbox"/> People in receipt of Council Tax</li> </ul> | West Kent Equalities Officer                     |

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|--|--|--|
|  | <p>Reduction with disabilities, carers and families with children receive a level of support higher than claimants without those characteristics, as a result of receiving additional allowances within the current scheme.</p> <p>Proposed changes to the scheme from 2017:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The changes proposed within the consultation will continue to maintain a range of additional allowances and income disregards for people with disabilities and carers and apply a consistent percentage reduction to the benefit award for all people of working age.</li> <li><input type="checkbox"/> All options could impact on working age claimants with one or more of the protected characteristics of disability, age, sex or race, to varying degrees.</li> <li><input type="checkbox"/> The possible introduction of an exceptional hardship scheme will be considered as an action to mitigate any possible impacts.</li> </ul> <p>A copy of the full equality impact assessment is provided as Appendix C.</p> |  |
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## 8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Summary of Changes
- Appendix B: Consultation Output
- Appendix C: Equality Impact Assessment
- Appendix D: Full copy of Scheme

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## 9. BACKGROUND PAPERS

- Report by ACS Consultancy