
COUNCIL TAX SUPPORT SCHEME 2017/18 - CONSULTATION

To: **Cabinet - 16 June 2016**

Main Portfolio Area: **Financial Services and Estates**

By: **Joanna Miller, Head of Financial Services**

Classification: **Unrestricted**

Ward: **All**

Summary: This report sets out the basis of consultation on a new Council Tax Support Scheme which will operate from 2017/18 onwards. The council has a statutory requirement to approve a scheme for the year ahead by 31 January 2017. The scheme must have been subject to consultation.

Councillors are asked to agree the broad scheme framework for public consultation, and give delegated authority to the Director of Corporate Resources to finalise the consultation material.

For Decision

1.0 Introduction and Background

1.1 The Council Tax Support Scheme (CTSS) 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).

Key elements of the new scheme were:

- 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 Council Tax Benefit scheme; and
- Persons of **Pension Age**, although allowed to apply for Council Tax Support, would be dealt with under regulations prescribed by Central Government and not the authorities' local scheme. In other words, pension age applicants are protected.

1.2 Across Kent, a common 'platform' approach was adopted for the design of local schemes, with the new schemes broadly replicating the former Council Tax Benefit scheme, but with a basic reduction in entitlement for working age claimants. In the Thanet district, working age claimants must pay at least 5.5% of the council tax liability (5% in Canterbury and 6% in Dover). The approach in East Kent was to protect the vulnerable as far as possible. The contribution from discount recipients in East Kent is the lowest in the county, and is towards the lower end of the scale

nationally. In the majority of Kent districts, customers have been required to pay 18.5% of council tax.

- 1.3 The current scheme is 'underpinned' by the Kent-wide agreement, under which the major precepting authorities (Fire, Police and the County) agreed to collectively pay each district council an 'administration fee' of £125,000 each year, for three years, to assist with the costs of delivering and managing the scheme. Although the original three year period ceased on 31 March 2016, it was agreed with the major preceptors that the scheme would be rolled forward for one more year (i.e. into 2016/17).
- 1.4 Although our local scheme has been refreshed annually for data changes, the core elements remain as were originally agreed and introduced in April 2013. However, following consolidation of the initial Government funding into the annual finance settlement, funding for the scheme has been reduced in line with the general reduction in local government funding.

The reducing funding and the end of the agreement with the major preceptors mean that it is now time to consult on a new scheme from April 2017 that:

- Ensures the scheme remains affordable within reducing resources;
- Balances the demands on support recipients with those on council tax payers as fairly as possible;
- Continues to protect those of pensionable age (as this is a government requirement);
- Is practical to administer;
- Does not generate council tax bills that are uncollectable; and
- Has an acceptable impact on the preceptors.

2.0 The Current Situation

2.1 Impact of the CTSS

When the new scheme started in April 2013, it meant around 6,787 Thanet households paying an element of their council tax for the first time. Approximately 3,466 other households who received partial assistance saw increases in their bills.

Collection of the council tax balances has been challenging; however, with focus on these accounts, the scheme has been successful and collection rates have been broadly maintained. The 'administrative fee' paid by the major precepting authorities has been essential in assisting with the costs of processing applications and in the recovery of debts and has been used to employ three extra staff working on TDC council tax collection.

The overall level of applicants, both working age and pension age, has fallen since the introduction of the local scheme, from 18,775 to 16,716 applicants as at March

2016. As a result, therefore, the total cost of the scheme has fallen since inception, from £15.031m in 2013/14 to £13.930m in 2015/16.

However, the 90% funding that the government passed on to billing authorities through Revenue Support Grant (RSG) to support the costs of local schemes has effectively been cut with the reductions in local government finance settlements. Therefore, although the costs have reduced due to a lower claimant base, the outcome is that a greater share of the cost burden is falling on the billing authorities and the other major precepting bodies. This outcome has been one of the main catalysts for the review of the scheme.

2.2 Scope of the Review

A group of Finance Officers from the Kent districts and major precepting authorities have been working closely together in setting the objectives of the review, and maintaining a common approach to the design of the local schemes. A consultant has been appointed by Ashford Borough Council on behalf of the Kent districts and major precepting authorities, with the costs being shared. Thus far, the consultant has been assisting in the evaluation of alternative scheme models and will, in due course, assist with the public consultation process.

The objectives of the review are:

- 1) Having regard to the reductions in grant and the financial pressures we face, to make the scheme(s) less costly (if possible) and more efficient in terms of its operation; and
- 2) To have regard to the impact such changes may have on vulnerable residents.

It has been recognised that the contributions that the major precepting authorities pay towards the administration of the scheme are essential. Changes to the local scheme could potentially lead to a need to collect even more council tax from individuals who may find it difficult to pay; as well as those individuals finding the resultant changes difficult to comprehend.

Therefore, in parallel with the review of the local schemes, representatives from the Kent district councils are working with the major precepting authorities to formulate a new funding 'model' for assistance towards the administrative costs. At the time of writing the work is at an early stage, but it is likely that the model will include a smaller 'flat rate' grant topped up by a share of any additional proceeds as a result of our taxbase increasing.

3.0 **Identification of Options for consultation**

All the billing and precepting authorities will be required to make significant savings over the coming years. If changes are not to be made to the CTS scheme to reduce its costs, then there are three options to consider to meet the funding shortfall:

- (a) Increase the level of Council Tax beyond that assumed in the 4-year financial plan;

- (b) use Council reserves to fund the scheme; or
- (c) make reductions to services over and above the savings already identified in the financial plan.

These are not currently recommended options, but for completeness they should be included in the consultation.

There are seven different approaches that could be taken to designing the new scheme for 2017/18. These are:

- (a) Maintain the current scheme.
- (b) Increase the level of support to 100%. Effectively, cease charging discount recipients a 5.5% proportion of Council Tax.
- (c) Introduce a “Total Income Discount (Banded)” Scheme.
- (d) Introduce a “Passported and Income Discount (Banded)” Scheme.
- (e) Introduce a “Simplified Means Test” leading to a Discount Band Scheme.
- (f) Introduce a “Total Household Income” Scheme.
- (g) Retain the current scheme but with a number of changes.

4.0 Evaluation of Options

A wide range of options for potential change have been considered, having regard to the objectives set out above. The full options appraisal is contained in Appendix 1 which provides a commentary on each of these options including possible savings and impact.

In summary, it is considered that options (a) and (b) would both be more expensive than the current scheme. Options (c) to (f) are complex to operate and, so far, only two authorities are believed to have implemented any of these options. Option (g), with the appropriate elements and variations, can ensure that the scheme remains financially viable, fair to claimants and tax payers, protects the vulnerable and administratively practical.

The conclusion is that the most practical option would be to maintain a scheme similar to the current scheme. This is because:

- it is known to our customers and largely mirrors the housing benefit (HB) system;
- our system is adapted for this type of scheme and would therefore require little additional cost; and
- EKS staff are familiar with the administration of this type of scheme and, as it is also aligned to HB, we can continue to take advantage of ‘economies of scale’.

For these reasons it is recommended that the consultation proposes to maintain the current scheme but consults on the variations recommended in Appendix 1, these being:

- (h) To increase the minimum 5% payable to 10% or 15%;
- (i) Reducing the capital limit to £6,000;
- (j) Include currently disregarded incomes in calculation of total income, specifically child benefit and child maintenance;
- (k) Introduce a standard charge of £10 per week for non-dependents;
- (l) Introduce a minimum income floor for self-employed claimants;
- (m) Introducing a band cap for payment at Band C or D; and
- (n) Align the scheme with housing benefit and pension age CTS scheme changes introduced by the government.

A combination of some, or all, of these possible options may be required in order to achieve the objective of reducing overall costs. It is our intention that the resultant scheme will retain some longevity, certainly until there is more certainty about the full roll-out of UC. Members are also reminded that an important feature of the new scheme would be the adoption of an Exceptional Hardship policy to protect vulnerable residents in severe financial hardship.

It should be stressed that, at this stage, the new CTS scheme is not being designed. The consultation is taking place to ensure that the design of the new scheme takes into account the views of the consultees.

5.0 Consultation

Prior to the implementation of any change to CTS authorities are required to consult with the public. There have been a number of legal challenges to CTS consultations and it should be noted that a recent judgment handed down by the Supreme Court has defined what is meant by 'good consultation'.

The guiding principles which have been established through case-law for fair consultation are as follows:

- The consultation must be carried out at a stage when proposals are still at a formative stage;
- Sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues and to respond;
- Adequate time must be given for consideration and responses to be made; and
- The results of the consultation must be properly taken into account in finalising any decision.

The authorities across Kent are working closely with the consultant in order to prepare robust and consistent consultation material that can be individually 'branded' by each district council within Kent. Ideally it is hoped that all district councils will go out to consultation at around the same time. The project timetable agreed by all authorities at the start of the review anticipates consultation commencing in June, thus allowing 12 weeks for members of the public and other relevant stakeholders to comment.

At the time of writing, the draft consultation material is not complete. Given the tight timescales, the Committee is asked to give delegated authority to the Director of Corporate Resources to finalise the consultation material taking on board any thoughts or observations the Committee may have.

It is anticipated that the consultation will be primarily web-site based, but it will be important to write to all claimants to draw their attention to the consultation and encourage them to participate. Additionally, it will be important to involve stakeholder groups such as the CAB, local debt advice agencies, registered social landlords and other organisations with a significant interest, to obtain their views.

There is also a duty to consult with the major preceding authorities (County Council, Fire and Police) who are statutory consultees. As mentioned above, work has already commenced with the major precepting authorities and will continue throughout the project.

6.0 Corporate Implications

6.1 Financial

The cost of consultancy has been shared by all Kent authorities. Thanet District Council's share of this cost is under £500. The consultation process will also require staff time.

It is anticipated that there will be some (limited) direct costs associated with the consultation process which will be funded from the Council Tax Support budget.

6.2 Legal

The Council has a statutory duty to consult on a proposed scheme. As mentioned above, case-law has determined the guiding principles for fair consultation which would be followed.

6.3 Equity and Equalities

See Appendix 2 for an initial assessment. A full impact assessment will be required to support proposals for the final scheme.

7.0 Recommendations

It is recommended that Members:

1. Approve the broad framework for public consultation on a number of possible modifications to the scheme as set out in Appendix 1 including;
 - a) increasing the minimum contribution rate for working age claimants to 10% or 15%;
 - b) reducing the capital limit to £6,000;
 - c) including Child Benefit and Child maintenance in the assessment of income;
 - d) introducing a standard non-dependant deduction of £10 per week;
 - e) introducing a Minimum Income Floor for self-employed claimants (based upon the living wage at 35 hours per week for full time or 16 hours a week for part-time workers);
 - f) aligning regulations of the 'base' CTS scheme with HB and (prescribed) Pension Age CTS scheme; and
 - g) Introducing a band cap at a band C or band D.
2. Consult on the introduction of an exceptional hardship scheme.
3. Consult on other ways of meeting the costs identified in the report, such as increases in Council Tax, the use of balances or reductions in services.
4. Give delegated authority to the Director of Corporate Resources to approve amendments to the consultation, the material to be used and the consultation methodology;
5. Give delegated authority to the Director of Corporate Resources to agree with the major preceptors (Kent County Council, the Police and Crime Commissioner and the Kent and Medway Fire and Rescue Service) the basis for any future contribution from the major preceptors to the scheme administration costs and any tax base incentivisation scheme; and:
6. Note and take account of the contents of the first stage Equalities Impact Assessment appended to this report and confirm that a full Equalities Impact Assessment will be prepared and considered prior to any decision on the new CTSS.

8.0 Decision Making Process

- 8.1 This is a Cabinet decision.

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Reporting to:	Tim Willis, Director of Corporate Resources

Annex List

Appendix 1	Review of Council Tax Support Scheme - Options
Appendix 2	First stage Equality Impact Assessment

Background Papers

Title	Where to Access Document
None	N/A

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Resources
Legal	Ciara Feeney, Head of Legal Services & Deputy Monitoring Officer
Communications	Hannah Thorpe, Head of Communications