

Cabinet	Agenda Item: 7
Meeting Date	12 February 2020
Report Title	Council Tax Support Scheme 2020/21
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer
Lead Officer	Zoe Kent, Revenues and Benefits Manager
Recommendations	<ol style="list-style-type: none"> 1. To note the outcome of the public consultation having taken consideration of 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. 2. To approve options 1- 6 as changes to the current scheme, as set out in detail in table 3, paragraph 3.6

1 Purpose of Report and Executive Summary

- 1.1 The Council Tax Support Scheme (CTS) was introduced by the Department for Communities and Local Government (DCLG) in April 2013 as a replacement for Council Tax Benefit (CTB) administered on behalf of the Department for Work and Pensions (DWP). Each year the local Scheme must be approved by Full Council by 31 January.
- 1.2 The purpose of this report is, having noted the outcome of the public consultation and having considered the potential impact of the proposed changes on working age claimants taking into account the protected characteristics of disability, age and sex, under the Equalities Act 2010, to recommend changes to the current CTS scheme listed in paragraph 3.7.

2 Background

- 2.1 Prior to the introduction of the scheme in April 2013 the Kent authorities worked together to design a CTS scheme. A common approach was adopted across Kent, with the new scheme broadly replicating the former CTB scheme, but with a basic reduction in entitlement for working age claimants.
- 2.2 As part of its introduction, central government set out a number of key elements:
 - 1) The duty to create a local scheme for working age applicants was placed with billing authorities;

- 2) Government funding was reduced initially by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous CTB scheme; and
 - 3) Persons of pension age, although allowed to apply for CTS, would be dealt with under regulations prescribed by central government, and not the authorities' local scheme.
- 2.3 In Swale, under the current scheme working age claimants must pay at least 25% of their Council Tax liability, along with Folkestone & Hythe District Council this is the highest of the district councils. Although there is a common approach across Kent, local schemes at district level have been tailored to local needs, so in other parts of Kent the percentage varies.
- 2.4 The Kent districts have been able to use the changes to the empty property discounts to vary the amount working age claimants pay towards their liability. Since its introduction in April 2013, our own local scheme has been reviewed annually; however; the core elements remain as were originally agreed.
- 2.5 Under the Kent-wide agreement the major precepting authorities agreed to collectively pay to each district council an administration fee to assist with the costs of the delivery of the scheme.
- 2.6 It has been recognised by the Kent Finance Officers Group that the contributions that the major precepting authorities make towards the administration of the scheme are essential. It was therefore agreed to base the allocation of the administration fee on the size of the caseload. Swale has been allocated £141,600 administration fee for 2019/20, the second highest award in Kent.
- 2.7 When the new scheme started in April 2013, it resulted in approximately 5,000 households within the Borough paying some council tax for the first time. In addition, approximately 2,500 other households who received partial assistance saw increases in their bills.
- 2.8 Collection of the council tax balances in these cases has been challenging. However, with focus on these accounts and some changes to recovery processes, the scheme has been successful. The administrative fee paid by the major preceptors has been essential in assisting with the cost of the recovery of these debts.
- 2.9 The overall level of applicants, both working age and pension age, has fallen since the introduction of CTS to 9,812 as at 1 April 2019, compared with 13,381 as at 1 April 2013. This is mainly due to a reduction in unemployment, the rise of the pension age and changes brought into the scheme from April 2017. As a result, the total cost of the scheme has reduced since its inception.
- 2.10 However, the initial '90%' funding that the government passed on to authorities through Revenue Support Grant to support the costs of local schemes has

effectively been cut as part of the wider reductions in local government financial settlements. In the current financial year the Council will receive RSG of £115,000 compared with £5.5m in 2013/14 and will be nil in the future therefore, although 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 a Kent wide review being undertaken.

Table 1: CTS expenditure by year

Year	Expenditure
2013/14	£10,712,895
2014/15	£ 9,940,783
2015/16	£ 9,801,120
2016/17	£ 9,723,402
2017/18	£ 8,950,857
2018/19	£ 8,854,129
2019/20	£ 8,602,987

- 2.11 It was agreed by the Kent Finance Officer’s Group to appoint a consultant to carry out the review. The consultant assisted in the evaluation of alternative scheme models. The review considered whether Kent authorities should move to a banded scheme where claimants are placed into an income band based on their family size and the level of their income.
- 2.12 As in 206/17 when the last Kent wide review was carried out, the objectives that have been agreed are to:
- (i) have regard to the reductions in government grant and the financial pressures we face;
 - (ii) make the scheme less costly (if possible), and more efficient in terms of its operation; and
 - (iii) have regard to the impact such changes may have on vulnerable residents, and target support to those most in need.

3 Proposal

- 3.1 Consideration has been given to a range of options for potential change, having regard to the objectives set out in paragraph 2.12 and the suitability for Swale.
- 3.2 The conclusion is that the most practical option would be to maintain a scheme similar to our current scheme. The reasoning behind this is:
- (i) it is known to our claimants;
 - (ii) it largely mirrors the housing benefit system
 - (iii) our software systems are adapted for this type of scheme and would, therefore, require little additional cost to update;

- (iv) our staff are familiar with the administration of this type of scheme; and
- (v) as it is also aligned to housing benefit, we can continue to take advantage of economies of scale.

3.3 Collection of Council Tax from working age claimants since the commencement of the scheme is shown in table 2 below. Prior to the first year of the scheme Swale accepted a grant from DCLG which limited the amount claimants had to pay to a minimum of 8.5%, leading to a highest collection rate for 2013/14. There was a dip in collection in 2014/15 when the amount to be paid doubled. Collection since then has risen as claimants have adjusted to budgeting for this amount. It is likely that if the amounts that working age claimants have to pay continues to rise, collection rates will start to fall.

Table 2: Percentage collected by year

Year	Minimum % paid by working age claimants	Percentage collected
2013/14	8.5%	87.59%
2014/15	15%	81.80%
2015/16	15%	85.30%
2016/17	15%	85.80%
2017/18	20%	86.10%
2018/19	25%	85.00%
2019/20	25%	73.00%

**2019/20 figure as at 01.01.2020*

- 3.4 Given the objectives of the review set out at 2.12, it is important that we seek to not increase the overall costs of the scheme significantly whilst maintaining fairness and the feasibility of the scheme. Therefore, it is considered that a locally determined selection of the options set out in Appendix I should be included for the scheme for 2020/21.
- 3.5 The Council went out to consultation on these options for a 4 week period ending on 18 November 2019 via a direct email to approximately 5,000 households. The results of the consultation are contained in Appendix I.
- 3.6 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 in Table 3.

Table 3: Council Tax Support Options

Option	Recommendation

<p>Option 1 – Increase the maximum amount of support from 75% to 80%.</p>	<p>Implement</p>	<p>Consultation findings support the change to increase the amount of support to 80%.</p>
<p>Option 2 - Reducing the standard level of non-dependant deduction from £15 to £10 for non-dependants who work more than 16 hours per week</p>	<p>Implement</p>	<p>Consultation findings do not support reducing the standard level of non-dependant deduction. However, the current deduction of £15 is higher than any other Kent district. Claimants are struggling to meet this amount on top of the current minimum payment of 25%. This is therefore in many cases causing hardship.</p>
<p>Option 3 – Disregarding child maintenance paid to a claimant or partner in the calculation of CTS.</p>	<p>Implement</p>	<p>A higher percentage of responders said no to this question however in the comments responders have commented that maintenance is not always a regular income and is paid to support the child.</p>
<p>Option 4 – Disregarding child benefit paid to a claimant or partner in the calculation of CTS.</p>	<p>Implement</p>	<p>Consultation findings support bringing in this change.</p>
<p>Option 5 - Applying a fixed income period to working age claims for CTS to avoid multiple changes.</p>	<p>Implement</p>	<p>Consultation findings support bringing in this change for all working age claims.</p> <p>This change will ensure that those claimants who are working will have fewer changes to the amount of Council Tax they have to pay during the year.</p>
<p>Option 6 – Applying a tolerance to Universal Credit claims for Council Tax Support to avoid multiple changes.</p>	<p>Implement</p>	<p>Consultation findings support this change.</p> <p>As with option 5 this will reduce the amount of times Council Tax is amended during the year.</p> <p>This will help claimants to budget during the year.</p>

4 Alternative Options

- 4.1 The current scheme which was brought in on 1 April 2019 could be left in place with no amendments from 1 April 2020. However given the positive response to the consultation exercise and the reduction in the collection rate since 2018/19 many claimants are struggling on low incomes to pay their Council Tax. This then has a knock on affect to other services.
- 4.2 As part of the consultation, as well as consulting on various options related to the design of the scheme, case law has clarified that we are also required to consider alternative funding options as opposed to simply changing the current scheme to reduce costs.
- 4.3 Therefore, within the consultation the following questions were posed. Should Council Tax be increased for all Council Tax payers to fund the CTS scheme? Should Council reserves be used to fund the scheme? Should there be cuts to Council services to fund the scheme?
- 4.4 All options in 4.3 were rejected by the majority of responders – see Appendix I for the detail. As the Council’s funding from the Government for the provision of all services is likely to be reduced in the future, and as the impact of choosing any of the alternative funding options would affect all residents in the Borough, it is not considered that any of the options in 4.3 should be taken forward for funding the CTS scheme.

5 Consultation Undertaken or Proposed

- 5.1 Prior to the implementation of any changes to a CTS scheme, authorities are required to consult with the public. There have been a number of challenges to CTS consultations, and it should be noted that a judgement handed down by the Supreme Court has defined what is meant by ‘good consultation’.
- 5.2 The guiding principles which have been established through case law for fair consultation are as follows:
- (i) the consultation must be carried out at a stage when proposals are still at a formative stage;
 - (ii) sufficient information on the reasons for the decision must be provided to permit the consultees to carry out intelligent consideration of the issues to respond;
 - (iii) adequate time must be given for consideration and responses to be made;
- and

- (iv) the results of the consultation must be properly taken into account in finalising any decision.
- 5.3 There is also a duty to consult with the major precepting authorities who are statutory consultees. All major precepting authorities were consulted during the consultation period.
- 5.4 Following the report to Cabinet on 25 September 2019 a public consultation was undertaken between 18 October 2019 and 18 November 2019. The consultation was open to all Swale residents aged 18 or over, i.e. people who pay Council Tax or receive CTS. The consultation was carried out online, with a direct email to approximately 5,000 households, and was promoted on the Council's website, through social media, and in the local media. Paper copies were available on request.
- 5.5 The legal implications in the report set out the importance of following the rules around consultation in the Supreme Court ruling in the Haringey case. In reaching a decision in this matter, all members must have regard to all supporting papers, and in particular the Community Impact Assessment and having taken these into account when reaching their individual voting decision on the scheme. Failure to do so could open the Council to challenge.

6 Implications

Issue	Implications
Corporate Plan	The objectives and priorities in the emerging corporate plan. Performance is measured through BV9 Percentage of Council Tax collected in year.
Financial, Resource and Property	There were some limited costs associated with the consultation process, but this is a statutory requirement. The costs of awards made under the CTS scheme impact on the declared tax base, and thereby the council tax yield. Any increase to council tax income is shared through the Collection Fund with major preceptors.
Legal and Statutory	The Council has a statutory duty to consult on a proposed scheme under the Local Government Finance Act 2012 and Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (as amended).As mention in paragraph 5.1, case

	<p>law has determined the guiding principles for fair consultation, which we followed.</p> <p>Regard needs to be made to the rules around consultation laid out through the Supreme Court ruling in the case of R (on the application of Moseley) v London Borough of Haringey (2014), and in particular, the need to set out alternative choices within the consultation. Referred to in paragraph 5.2.</p>
Crime and Disorder	Not directly applicable
Sustainability	Not directly applicable
Health and Wellbeing	<p>Residents who have difficulty in paying their Council Tax can put in a claim for a Section 13A discretionary award. Those whose health appears to be affected will be signposted to appropriate advice.</p> <p>The Revenues and Benefits team works with other sections of the authority, CA, financial charities and the major housing providers in the area to ensure those residents who are struggling with debt or other problems are signed posted to the correct advice and agencies.</p>
Risk Management and Health and Safety	Not directly applicable
Equality and Diversity	A full Community Impact Assessment has been carried out.
Privacy and Data Protection	All requirements have been adhered to.

7 Appendices

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

- Appendix I: CTS Scheme review of options
- Appendix II: CIA CTS Scheme 2019/20

8 Background Documents

Council Tax Support Report 2019/20 Scheme Full Council 14.11.2018

<https://services.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=2018&Ver=4>