

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 1
<b>Report Originator</b>	Julie Trahern Head of Customer Services	<i>Fwd Plan Ref No: A15/031</i>	
<b>Wards Affected</b>	All	9 <sup>th</sup> December 2015	
<b>Title</b>	<b>LOCAL COUNCIL TAX SUPPORT</b>		

**Portfolio Holder: Cllr Jan Smith**

**1. PURPOSE OF REPORT**

- a. Remind members of the background to the national abolition of Council Tax Benefit (CTB) and replacement Localised Council Tax Support (LCTS) which came into effect from April 2013;
- b. Remind members of the Council's financial guiding principles.
- c. Outline the findings from the public consultation undertaken.
- d. Outline the key strategic choices that are available to the Council following the consultation.
- e. Request the Committee to make a recommendation to Council in relation to the changes in the Council Tax Support Scheme to be effective from 1<sup>st</sup> April 2016.

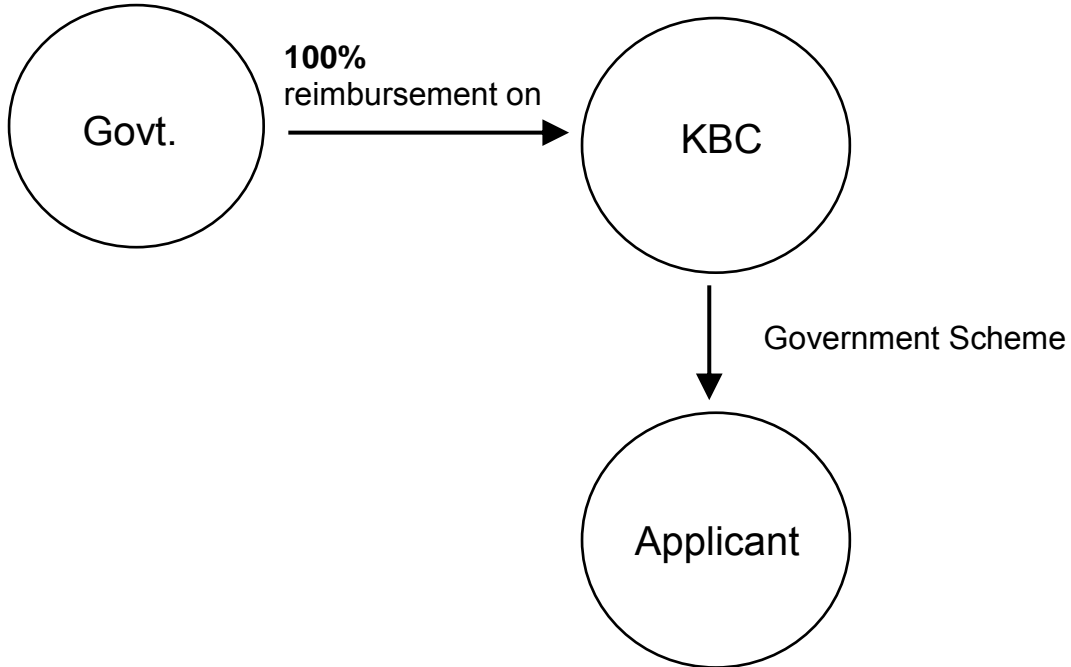
**2. BACKGROUND**

- 2.1 The Government announced that from April 2013 Council Tax Benefit would be replaced with a Council Tax support scheme. Unlike Council Tax Benefit (CTB) which was set by Central Government, the new Council Tax support scheme had to be defined by individual Local Authorities (albeit with much central prescription).
- 2.2 The following illustrations highlight the key changes made at that time;

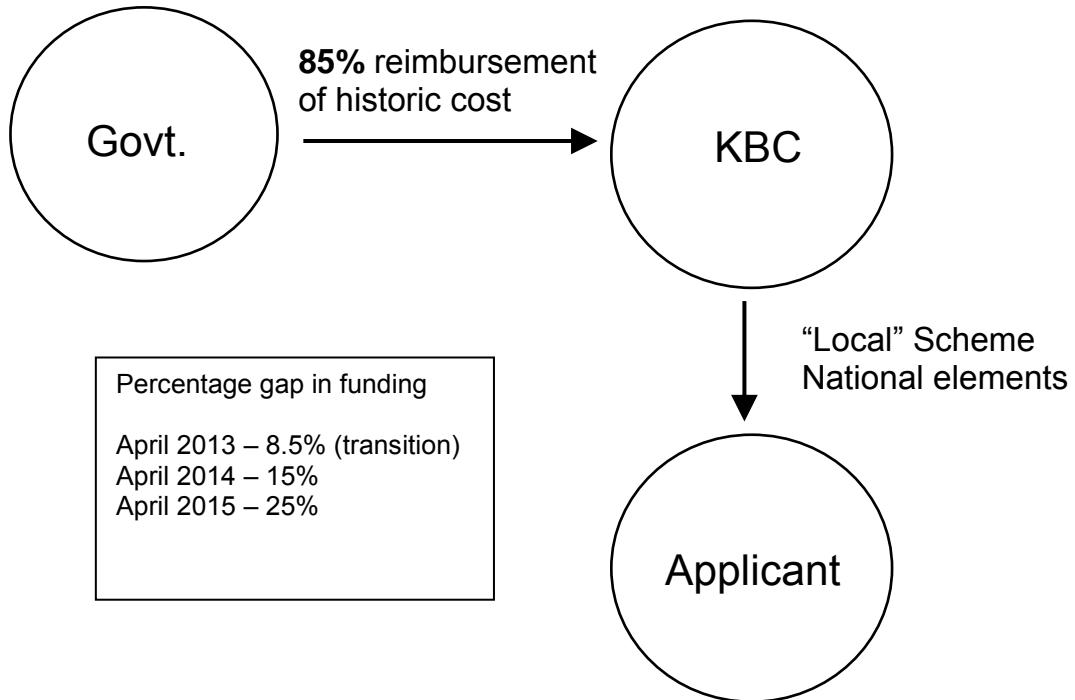
**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 2
------------------	------------------	------------	--------

Council Tax Benefit (pre April 2013 situation);



Council Tax Support (post April 2013 situation);



**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 3
------------------	------------------	------------	--------

<b>Table 1 - Comparison of current national scheme with changes from April 2013</b>		
	<b>Council Tax Benefit</b>	<b>Council Tax Support</b>
<b>Scheme Structure</b>	National	National & Local
<b>Administration</b>	Local	Local
<b>Funding</b>	National	Local Govt. – with a ‘fixed’ cash grant of <u>historic</u> cost

<b>Table 2 - Impact on Categories of Claimants</b>	
<b>Category</b>	<b>Schemes from April 2013</b>
Pensioners	Protected – ‘local schemes’ must give the same level of benefits to pensioners (national policy requirement)
‘Vulnerable Groups’	In theory a Local Choice but must give regard to vulnerable groups when designing a local scheme. In practice, most of this group will also be protected.
Others	Local Choice

- 2.3 Nationally these changes were designed to save around £500m which had been trailed nationally as a 10% reduction. In essence, this meant each local authority had to reduce its council tax support or find compensatory savings and efficiencies, and additionally carry (at a local level) the risk for upward pressure in claimant numbers due to the economic circumstances.
- 2.4 The Government had stated that they would not be funding the cost of the scheme. It was expected that locally we would receive around 85% of the cash grant for 2013/14, leaving the initial shortfall for KBC of about £129,000 (equivalent of 2% on the Council Tax). It was anticipated that any future rise in caseload would not attract any national funding and would need to be met at local level also. The overall annual funding shortfall for the borough (when the County Council and the police share were included) was estimated to be around £880,000.

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 4
------------------	------------------	------------	--------

The Present Scheme

- 2.5 The Council undertook an extensive public consultation during autumn 2012 which included major precepting authorities (i.e., the County Council and the Police Authority), the voluntary sector and the public. The responses submitted were considered by the Executive and a new scheme was recommended by the Executive and approved by Full Council in January 2013.
- 2.6 The scheme was designed to operate into the medium term without constant change, amendment and additional consultation exercises.
- 2.7 To do this, members firstly had to decide on the scheme that they wished to operate prior to the consideration of any one off transitional grant that was available for 2013/14. This would enable the Council to make a decision about how the scheme would operate into the medium term. In coming to a preferred scheme, the Executive Committee gave due regard to the Councils Financial Strategy and the guiding principles that underpin that strategy. The following extracts from the Council's Budget Containment Strategy, are of direct relevance;
- 2.8 *Budget Containment Strategy:*
1. *Where a specific grant which funds a specific service is withdrawn, the service stops;*
  2. *Where grant funding reduces, which Kettering Borough Council passports through to another organisation, the reduced sum continues to be passported, providing the end recipient organisation feels it can still provide a value-added service at that funding point.*
  3. *The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.*
- 2.9 Prior to discussing the options members endorsed a simple set of additional *guiding principles* that would help frame the discussion about which option was preferable. These were;
- a) *In the medium term, the cost of a local scheme must be contained within the grant made available from the Government (to comply with the existing budget guiding principles)*
  - b) *The scheme should incentivise work*

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 5
------------------	------------------	------------	--------

c) *The impact on working age claimants should as far as possible be minimised through considering changes to Council Tax exemptions and discounts.*

- 2.10 In October 2012 the government announced a transitional grant scheme which would be open to all authorities to apply for (provided that their local council tax support scheme met specific criteria as set down by the government).
- 2.11 Members agreed to apply for the one-off transitional grant for 2013/14 and the Council were successful in their application. Therefore 2013/14 was in effect a 'transitional year' until the new scheme was fully implemented in 2014/15. This meant that those who were previously on 100% support under Council Tax benefit paid 8.5% of their council tax liability in 2013/14 prior to moving to 15% in 2014/15.
- 2.12 Accordingly, members of the Committee are reminded that the scheme that Council approved in January 2013 was fully implemented from April 2014. The one-off transitional grant that the Government paid for 2013/14 was for one year only.
- 2.13 In December 2014 following full public consultation members agreed to reduce the percentage of council tax support to 25% from April 2015. Full Council was advised that the scheme would need to be kept under constant review into the future due to the potential change in central government grant funding.
- 2.14 The following table is a reminder of the proportions of caseload;

Table 3 Category	Schemes from April 2013	Approx Case Load	Approx Proportion of Case Load
Pensioners	Councils must give the same level of benefits to pensioners (national policy requirement)	2834	44%
Vulnerable Groups	In theory a Local Choice had to give regard to vulnerable groups when the local scheme was designed. In practice, some of this group are also protected	2681	41%
Others	Local Choice	993	15%

**3. SCHEME OPTIONS FOR 2016/17**

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 6
------------------	------------------	------------	--------

3.1 Looking forward, the current 25% taper will be insufficient to balance the budget for 2016/17. This is because;

a) the funding envelope is being reduced every year in line with the reductions in the headline revenue grant that the council receives from government. Whilst it is not possible to identify the level of grant being received the approach taken by many authorities has been to assume the grant is being reduced at the same rate as the formula grant therefore the Council are modelling the following reductions in Council Tax Support 'grant':

2016/17	(15.0%)
2017/18	(17.0%)
2018/19	(19.0%)
2019/20	(21.0%)
2020/21	(25.0%)

b) the caseload continues to vary.

3.2 The following table provides a position statement of the **current scheme** (i.e., continuing to operate with the 25% taper);

Table 4 Financial Year	Net Annual Cost of LCTS Scheme (£)	Cumulative 'cash' Impact (£)	
2013/14	-92,000	-92,000	Actual
2014/15	-13,000	-105,000	Actual
2015/16	28,000	-77,000	Estimated
2016/17	114,000	37,000	Estimated
2017/18	177,000	214,000	Estimated
2018/19	232,000	446,000	Estimated
2019/20	280,000	726,000	Estimated
2020/21	321,000	1,047,000	Estimated

\* The above table illustrates the cash impact to this Council. Any decisions on the Taper level impact on both the Police and the County Council. The cash impact is based on the respective share of the overall Council Tax Bill. The impact to the Police & Crime Commissioner Northants (PCCN) will be similar to KBC as the PCCN accounts for around 14% of the overall bill. The cost to the County Council will be somewhat greater as their share of the Council Tax Bill is around 72%.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 7
------------------	------------------	------------	--------

3.3 It can be seen that a 'surplus' was created at the end of 2013/14 of £92,000 - this was due to two reasons;

- a) the government paid a one-off cash grant to help mitigate the impact
- b) the budget sums included a small contingency sum

The changes that the Council made to the various council tax discounts and exemptions effectively used up all the options that were available in that area to help balance the budget. There could be further room created but it would require changes to national policy (such as single persons discounts or the protection provided to pensioners) which is widely considered unlikely.

3.4 The only significant tool the Council has available (to adhere to its budget guiding principles) is to adjust (increase) the 'taper' to ensure that the budget is in balance. Previously the Council adjusted a number of discounts and exemptions to help reduce the financial burden of the legislation changes – there no material scope to change these going forward (without changes in primary legislation around issues such as single persons discounts or the protected status for people of pension age) and therefore the only options available to balance the budget for the scheme are in relation to increasing the taper level.

3.5 There are three options available for changing the Taper that adhere to the current policy position – option 1 and 2 were previously reported to the Executive Committee in September 2015 and option 3 was added following the decision of the Executive Committee in September 2015.

3.6 The three options below are the options stakeholders and customers have been consulted upon. The three options are;

**Option 1** – increase the taper based on the 'annual cost' of the Council Tax Support Scheme. The taper would need to increase to around 55% to address the funding shortfall;

**Option 2** – increase the taper based on the 'cumulative cost' of the Council Tax Support Scheme. The taper would need to increase to around 35% to address the funding shortfall;

**Option 3** – An increase of between 35% – 55%.

3.7 The following table shows an estimated position from 2016/17 if each of the three options were applied. Option 3 provided for a Taper of between 35% and 55% - to help illustrate the financial impact Table 5 includes three illustrative options of 40%, 45% and 50% for Option 3.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 8
------------------	------------------	------------	--------

Table 5 Option	Taper	Projected Cumulative Balance 01/04/16 £'000	Projected Cost of CTS @ a 25% Taper £'000	Change in Revenue Yield from Current Scheme £'000	Projected Cumulative Balance 31/03/17 £'000
1	55%	(77)	114	(114)	(77)
2	35%	(77)	114	(37)	0
3 a	40%	(77)	114	(56)	(19)
3 b	45%	(77)	114	(75)	(38)
3 c	50%	(77)	114	(94)	(57)

3.8 It is currently estimated that Option 1 would maintain the 'cumulative' budget surplus of £77,000 throughout the year, it would also move the council's base budget into a sustainable annual position. Option 2 is considered to be the minimum option, it would use all of the cumulative budget surplus during the year and therefore there would be no flexibility for future years in relation to future changes or any funds to deal with any associated debt collection issues. Option 3 is a variant of the other two options, depending on which option is considered (a, b or c) it would result in some of the cumulative surplus being used during the year and some being available at the end of 2016/17 to help future considerations about how the scheme may have to operate in the future – in effect this option migrates closer to the real annual budget position but in a way that may be more pragmatic than immediately considering moving to option 1.

**4. ADMINISTRATION OF FUTURE COUNCIL TAX SUPPORT SCHEME**

4.1 The Council are responsible for the administration and collection of Council Tax for the borough of Kettering, the split in Council Tax funding is broken down in the following diagram;





**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 9
------------------	------------------	------------	--------

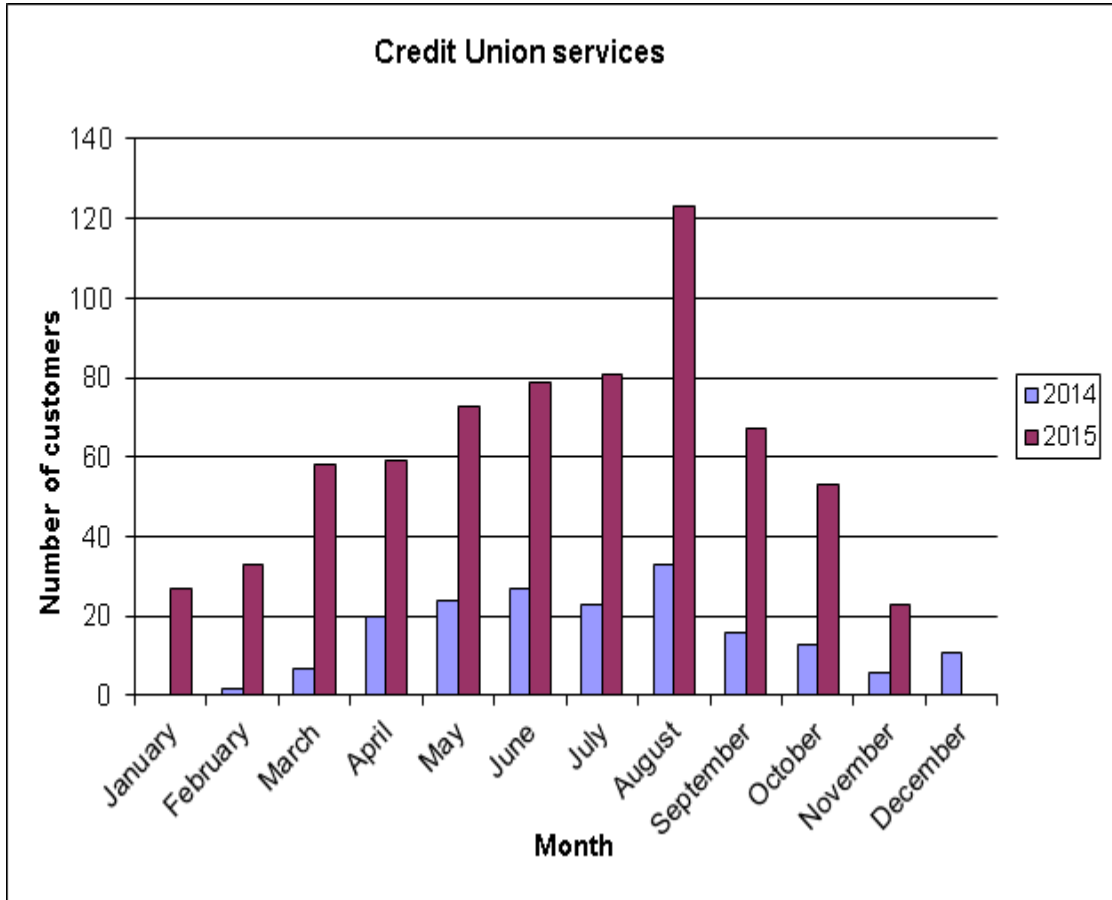
- 4.2 When council tax benefit was replaced by local council tax support from April 2013 the County Council made a contribution in recognition of the additional costs being absorbed by Kettering Borough Council, from April 2015 this was no longer the case as the County Council withdrew their ongoing contribution of £15,000.
- 4.3 The impact of welfare reform and the current economic climate has increased significantly customer contact and office administration for the Council. Going forward this is expected to continue to increase and as such will continue to put pressure on the Council's revenue account.
- 4.4 The figures below show the increase in Council Tax recovery in 2013/14 when Council Tax Support was introduced, against the reduction in recovery to date for 2015/16. The reduction in recovery is partly due to the increased individual assistance by the Council to customers around budget and financial management.

<b>Table 6</b>				
<b>Description</b>	<b>12/13 Oct Cumulative</b>	<b>13/14 Oct Cumulative</b>	<b>14/15 Oct Cumulative</b>	<b>15/16 Oct Cumulative</b>
Reminder Notices	10,061	14,580	13,908	12,366
Summons	2,805	4,156	3,720	2,472
Liability Orders	2,301	3,477	3,191	2,275
<b>Total</b>	<b>15,167</b>	<b>22,213</b>	<b>20,819</b>	<b>17,113</b>

- 4.5 The credit union had its official launch in April 2014 to assist the borough's more vulnerable customers, it was established to give assistance in managing finances and give access to more affordable banking and credit. The project was set up in partnership with the East Midlands Credit Union because of the identified changing needs of the customers within the Borough of Kettering. The expectation of need and the actual need continues to exceed the Council's forecast.

**BOROUGH OF KETTERING**

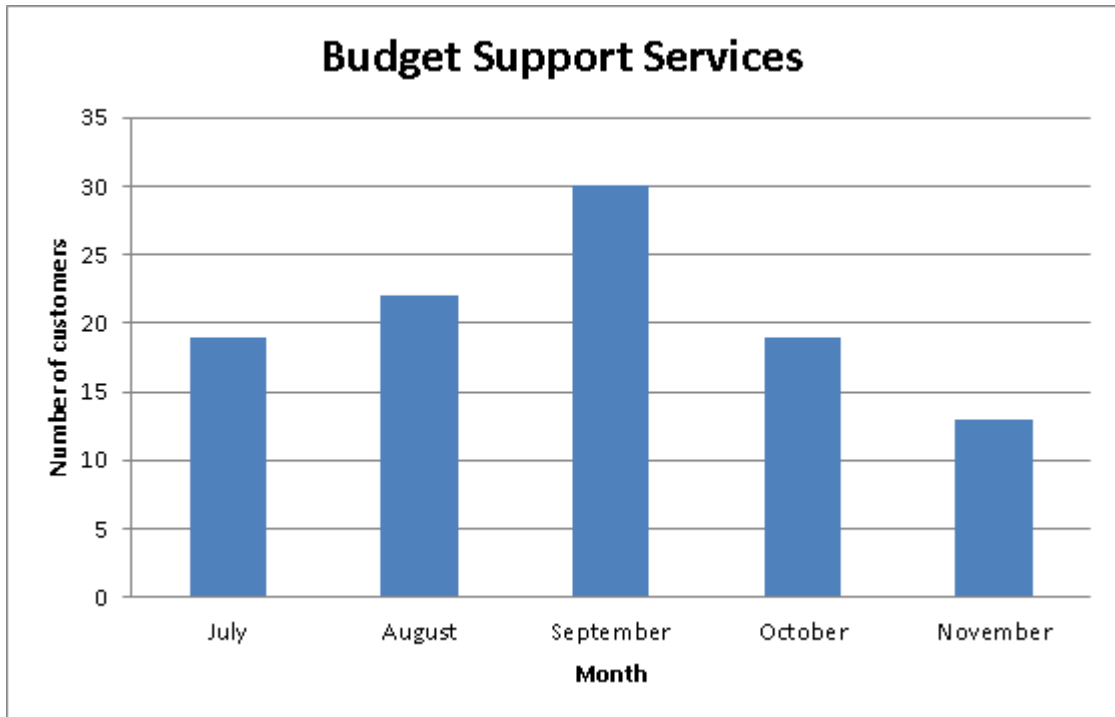
<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 10
------------------	------------------	------------	------------



4.6 To help assist and support customers an additional post has been introduced by the Council – The budget support officer took up a twelve month post in June 2015, assistance given to customers has already exceeded expectations in the first three months – expectation was assisting 5 – 10 customers per month following a bedding in period of two months, the table below shows the actual number of customers assisted to date.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item</b> 12	<b>Page</b> 11
------------------	------------------	-------------------	-------------------



- 4.7 The steps the Council are taking to assist the Borough's most vulnerable Customers is having a positive impact in helping, assisting and preventing debt; however the increased number of customers needing this assistance continues to rise. Irrespective of the option chosen for this scheme, the Council will need to continue to proactively assist customers in conjunction with our partner agencies.
- 4.8 The assistance to vulnerable customers is being undertaken on a temporary basis for twelve months (due to end in June 2016), it is currently funded from ring fenced monies for Welfare Reform. Going forward assistance may need to increase as more customers require help and assistance which will put pressure on Council budgets.
- 4.9 Below shows the change in proportions of caseload from when the scheme started to current day.

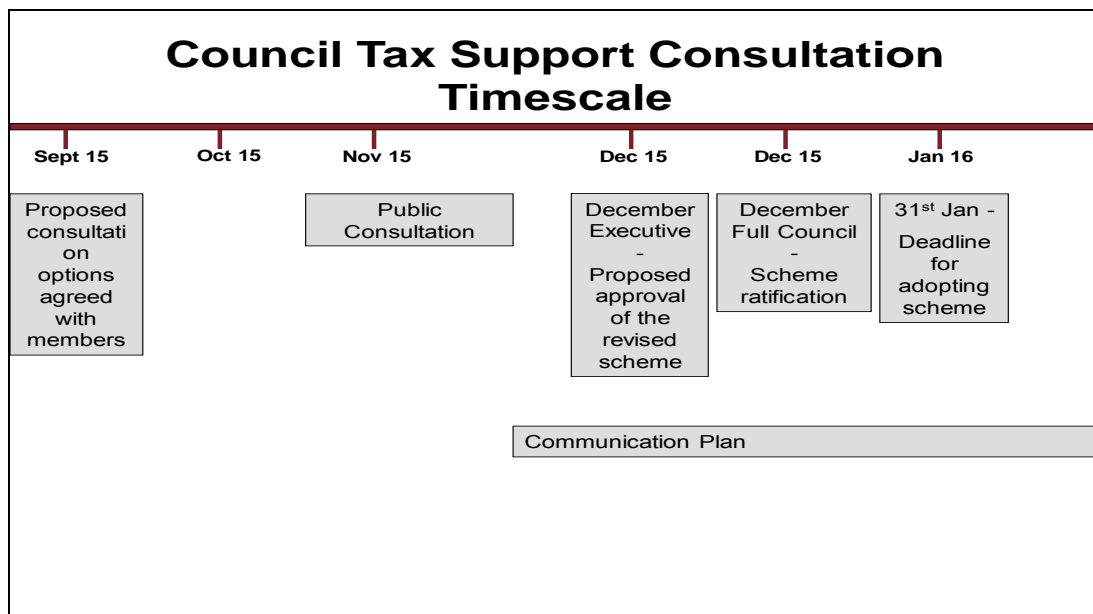
**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item</b> 12	<b>Page</b> 12
------------------	------------------	-------------------	-------------------

<b>Category</b>	<b>Approx Proportion of Case Load April 2013</b>	<b>Approx Proportion of Case Load April 2015</b>
Pensioners	45%	44%
Vulnerable Groups	38%	41%
Others	17%	15%

**5. CONSULTATION**

5.1 The consultation timeline is reproduced below



5.2 Further information about the three Consultation Options (based on a Band B property - being the average property banding within the borough) are

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 13
------------------	------------------	------------	------------

provided in the following table, three options have been included under Option 3 for Member consideration.

<b>Table 8</b>			
<b>Scheme</b>	<b>Reduction (Taper)</b>	<b>Annual Amount</b>	<b>Weekly Amount</b>
Current scheme	25%	£286.88	£5.51
<b>Option 1</b> Taper based on the 'annual cost' of the Council Tax Support Scheme	55%	£631.13	£12.14
<b>Option 2</b> Taper based on the 'cumulative cost' over the funding envelope of the Council Tax Support Scheme	35%	£401.63	£7.73
<b>Option 3</b> Taper based between 35% and 55%	40%	£459.00	£8.83
	45%	£516.38	£9.93
	50%	£573.76	£11.03

5.3 A formal eight week consultation process is dictated by law has been undertaken, the results of which are in the body of the report

5.4 As part of the consultation exercise, the council also asked about the following potential changes being introduced;

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item 12</b>	<b>Page 14</b>
------------------	------------------	--------------------	--------------------

Table 9	
Question	Answer Yes/No
Remove family premium	
Reduce backdate from 6 months to 4 weeks	
Ensure rules around earnings mirror the Housing Benefit scheme	
Amend Universal Credit deductions	

5.5 These potential changes will ensure that the scheme remains current and where appropriate in line with the Housing Benefit Scheme (Potential as at the time of producing this report legislation had not be laid).

5.6 The number of customers consulted was as follows;

Table 10		
Type of Consultation	No. Issued	No. of Responses
Face to Face in the Community	1,600	180
Via the web site	n/a	24
Written	10,000	0
Face to Face with KBC customer Service Centre	400	22
<b>TOTAL</b>	<b>12,000</b>	<b>229</b>

\*There were 3 spoilt responses – Reason ticking all boxes

5.7 All major precepting authorities were encouraged to respond to the local council tax support consultation. There has been no response from either the County Council or Police and Crime Commissioner.

5.8 Partners, voluntary agencies and individuals were also invited to respond to the consultation.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item 12</b>	<b>Page 15</b>
------------------	------------------	--------------------	--------------------

**6. CONSULTATION RESULTS**

6.1 Overall, the following responses were received on the three elements of the consultation exercise;

Table 11					
Scheme (Question 1 of consultation document) Of the three options, which do you prefer	Option 1 55% Reduction	Option 2 35% Reduction	Option 3 35 – 55% Reduction	Other	Total
Responses	70	107	13	39	229

Table 12	
(Question 2 of consultation document)	Question
2	If you prefer a different percentage reduction than those proposed, please comment below, with the rate and reasons
	The comments to question 2 on the consultation document can be found at Appendix A

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item 12</b>	<b>Page 16</b>
------------------	------------------	--------------------	--------------------

Table 13		
Response to individual questions (Question 3 on consultation document)	Yes	No
Remove family premium	49	110
Reduce backdate from 6 months to 4 weeks	65	103
Ensure rules around earnings mirror the Housing Benefit scheme	89	71
Amend Universal Credit deductions	56	90

Table 14	
(Question 4 of consultation document)	Question
4	Have you any general comments you would like to make about the scheme?
	The additional comments can be found at Appendix B

Table 15	
Individual Response	Individual Response to Consultation
N/A	An individual response rather than completing the consultation document.
	The additional comments can be found at Appendix C

- 6.2 Further details from the responses can be seen by reference to Appendices A, B and C.
- 6.3 From the consultation responses, it is fair to conclude that those who responded to the consultation understood the principle of Local Council Tax Support.



**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 17
------------------	------------------	------------	------------

- 6.4 The majority of those who responded indicated a preference for either option 1 or option 2 – which were the two main options highlighted in the consultation paper.
- 6.5 Some of the individual responses indicated a preference for the scheme to remain unchanged – ie, to remain at 25%. This was not included as an option in the consultation paper because this would not be in line with the Council's budget guiding principles.
- 6.6 A majority responding to the public consultation agreed with keeping the Local Council Tax Support scheme in line with the Housing Benefit Scheme.

**7. OPTIONS AVAILABLE TO THE COUNCIL**

- 7.1 **Looking forward, the 25% taper will be insufficient to balance the budget for 2016/17.** At the December 2014 Executive Committee the Executive were minded to note that the baseline taper from April 2016 will need to be 35%, plus or minus other factors that emerge during the period.
- 7.2 The Executive is presented with possible options to address the projected shortfall and is being asked which option it wishes to recommend to Council taking note of the findings from the public consultation exercise.
- 7.3 The 25% taper will be insufficient to balance the budget for 2016/17 - this is because the annual grant is being reduced every year in line with the reductions in the headline revenue grant that the council receives from the government.
- 7.4 Members will recall that when debating the introduction of the 'new' scheme in January 2013, the need to keep the scheme under constant review was highlighted.
- 7.5 The only significant variable the Council has at its disposal (to keep within its budget guiding principles) is to adjust the 'taper' to ensure that the budget is in balance. There are three options available for changing the Taper that adhere to the current policy position these are:

**Option 1** – Adjust the level of the Taper based on the 'annual cost' of the Council Tax Support Scheme.

**Option 2** – Adjust the level of the Taper based on the 'cumulative cost' of the Council Tax Support Scheme over the medium term.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 18
------------------	------------------	------------	------------

**Option 3** – Option 3 would be a variable between option 1 and option 2 dependant on the preferred option from the public consultation. To help illustrate the financial impact option 3 includes 3 options of 40%, 45% and 50%.

Table 16 Option	Taper	Projected Cumulative Balance 01/04/16 £'000	Projected Cost of CTS @ a 25% Taper £'000	Change in Revenue Yield from Current Scheme £'000	Projected Cumulative Balance 31/03/17 £'000
1	55%	(77)	114	(114)	(77)
2	35%	(77)	114	(37)	0
3 a	40%	(77)	114	(56)	(19)
3 b	45%	(77)	114	(75)	(38)
3 c	50%	(77)	114	(94)	(57)

- 7.6 It is estimated that the cumulative budget will be in 'surplus' of around £77,000 by the end of this financial year (2015/16). Depending on the preferred option, the estimated cumulative cash surplus is estimated to be between £0 and £77,000 (as detailed in Table 16).
- 7.7 It is currently estimated that Option 1 would maintain the 'cumulative' budget surplus of £77,000 throughout the year, it would also move the council's base budget into a sustainable annual position.
- 7.8 Option 2 is considered to be the minimum option, it would use all of the cumulative budget surplus during the year and therefore there would be no flexibility for future years in relation to future changes or any funds to deal with any associated debt collection issues.
- 7.9 Option 3 is a variant of the other two options, depending on which option is considered (a, b or c) it would result in some of the cumulative surplus being used during the year and some being available at the end of 2016/17 to help future considerations about how the scheme may have to operate in the future – in effect this option migrates closer to the real annual budget position but in a way that may be more pragmatic than immediately considering moving to option 1.
- 7.10 If option 3 was the preferred option dependant on the preferred percentage of between 40% and 50% would result in a projected cumulative balance of between £19,000 and £57,000.
- 7.11 Whilst it can be argued that either option adheres to the existing financial golden rules and whilst the collection rates have not been significantly

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 19
------------------	------------------	------------	------------

adversely affected by previously moving to a taper rate of 25%, collection rates would need to be closely monitored.

- 7.12 It is particularly important for members to recognise that if option 2 were considered (ie, a move to 35%) this is considered to be the minimum increase that should be applied. It would have the effect of using all of the cumulative balance in the year and would leave no flexibility in future years to have any transitional measures to deal with future required increases. It is worth noting that if option 2 were considered for 2016/17, this would result in a greater increase being required for 2017/18 in order to adhere to the Council's financial golden rules and allows for a buffer zone to deal with potential case load increases and vulnerability assistance.
- 7.12 Whilst all options result in an increase in the Taper Rate and would enable the cost of Council Tax Support to remain cost neutral in 2016/17 it is unlikely that this is a position that could continue to be maintained into the medium term or indeed into 2017/18 without adversely impacting on the collection rate.
- 7.13 If there are no changes to Single Person Discounts or protection provided to pensioners Council Tax Support is going to become an additional cost pressure to local government. The Council has effectively maximised discounts and exemptions to close the funding gap and the only significant variable is to adjust the Taper, however this needs to be managed carefully so as not to have an adverse impact on collection rates.
- 7.14 Further lobbying work is required at a national level if Council Tax Support is to remain cost neutral as without further changes the cost of Council Tax Support will become an additional pressure to local government.
- 7.15 To summarise, the committee will need to decide their preferred course of action in relation to the following three options. The following table brings together the main considerations;

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item</b> 12	<b>Page</b> 20
------------------	------------------	-------------------	-------------------

<p><b>Option 1</b>          Taper based on the 'annual cost' of the Council Tax Support Scheme</p>	<ul style="list-style-type: none"> <li>• The taper would need to increase from its current level of 25% to 55% to address the estimated funding shortfall of £114,000 for 2016/17.</li> <li>• Such an increase in the Taper rates could adversely impact on the Collection Rates</li> <li>• A taper of 55% would require lower increases to the taper rates compared to Option 2 and 3 in future years if the current policy position is to be maintained</li> </ul>
<p><b>Option 2</b>          Taper based on the 'cumulative cost' over the medium term of the Council Tax Support Scheme</p>	<ul style="list-style-type: none"> <li>• The taper would need to increase from its current level of 25% to 35% to address the estimated four year rolling funding shortfall of £37,000 from 2016/17. This is considered to be the 'minimum' option.</li> <li>• A lower increase in the Taper rate is less likely to adversely effect the Collection Rate</li> <li>• A taper rate of 35% would require higher increases to the taper rates compared to Option 1 in future years if the current policy position is to be maintained</li> </ul>
<p><b>Option 3</b>          Taper based between 35% and 55%</p>	<ul style="list-style-type: none"> <li>• The funding shortfall would be between £56,000 and £94,000 dependant on the preferred percentage</li> <li>• A lower increase in the Taper rate is less likely to adversely effect the Collection Rate</li> <li>• Considering an option somewhere between 35% and 55% may be a pragmatic way to (1) move towards the real annual budget position (2) in effect have a transitional move towards the required amount, and (3) retain some of the cumulative budget surplus to deal to provide some flexibility when considering future changes and income collection rates.</li> <li>• A taper rate less than 55% would require higher increases to the taper rates compared to Option 1 in future years if the current policy position is to be maintained</li> </ul>

7.16 Further information about the three Consultation Options (based on 2015/16 levels for a Band B property and their monetary values – being the average property banding within the borough) are provided in the following table;

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 21
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<b>Scheme</b>	<b>Reduction (Taper)</b>	<b>Annual Amount</b>	<b>Weekly Amount</b>
Current scheme	25%	£286.88	£5.51
<b>Option 1</b> Taper based on the 'annual cost' of the Council Tax Support Scheme	55%	£631.13	£12.14
<b>Option 2</b> Taper based on the 'cumulative cost' over the funding envelope of the Council Tax Support Scheme	35%	£401.63	£7.73
<b>Option 3</b> Taper based between 35% and 55%	40% 45% 50%	£459.00 £516.38 £573.76	£8.83 £9.93 £11.03

7.17 It is currently estimated that Option 1 would maintain the 'cumulative' budget surplus of £77,000 throughout the year, it would also move the council's base budget into a sustainable annual position. Option 2 is considered to be the minimum option, it would use all of the cumulative budget surplus during the year and therefore there would be no flexibility for future years in relation to future changes or any funds to deal with any associated debt collection issues. Option 3 is a variant of the other two options, depending on which option is considered (a, b or c) it would result in some of the cumulative surplus being used during the year and some being available at the end of 2016/17 to help future considerations about how the scheme may have to operate in the future – in effect this option migrates closer to the real annual budget position but in

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 12	Page 22
------------------	------------------	------------	------------

a way that may be more pragmatic than immediately considering moving to option 1.

- 7.18 Having considered the information contained in this report and the consultation responses, the recommendation to the Executive Committee is that option 3 (b) would be a pragmatic way forward. This would result in a taper of 45% being applied for 2016/17.

**8. POLICY IMPLICATIONS**

- 8.1 This report will determine the local policy for the Council Tax Support Scheme.

**9. FINANCE and HR RESOURCE IMPLICATIONS**

- 9.1 As detailed throughout this report

**10. RECOMMENDATIONS**

**That the Executive Committee;**

- 10.1 Note the comments that were submitted as part of the formal consultation process.

**That the Executive Committee recommends the following to Council;**

- 10.2 That with effect from 1<sup>st</sup> April 2016, the following changes are made to ensure that the scheme remains current and where appropriate in line with the Housing Benefit Scheme.

- a. Remove family premium
- b. Reduce backdate from 6 months to 4 weeks
- c. Ensure rules around earnings mirror the Housing Benefit scheme
- d. Amend Universal Credit deductions

- 10.3 Having considered the responses from the public consultation and the information contained within this report, Option 3b (a 45% taper) is the preferred option. This option adheres to the Council's budget guiding principles whilst providing some flexibility to deal with potential case load increases and vulnerability assistance.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	<b>Item</b> 12	<b>Page</b> 23
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Background Papers:

- Appendix A – Responses to question 2 of the consultation document
- Appendix B – Responses to question 4 of the consultation document
- Appendix C – Individual response rather than completing consultation document
- Appendix D – Copy of consultation document
- Appendix E – Face to Face community engagement

Previous Reports/Minutes:

Executive Report September 2015

Executive Committee 9<sup>th</sup> December 2015

LOCAL COUNCIL TAX SUPPORT CONSULTATION RESPONSES

**APPENDIX A**

Questions 2 – If you prefer a different percentage reduction than those proposed, please comment below, with the rate and reasons

Response Number	Comment
A.1	I want it to remain at the current level of 25%.
A.2	Although funding cuts mean that the council must adjust its budget, this is extreme. I seriously have to question how you intend to recover this amount and I am unable to see what your current recovery rates are. For somebody in receipt of JSA/ESA/IS it is impossible to survive and pay these figures. You will just be creating debt that you have no way to recover and making people homeless. This increase resource required to attempt to recover these proposed figures is just going to be a waste of tax payers money. You would be better placed using that resource elsewhere and considering other budget cuts. Whilst I agree that people need to understand their responsibilities and pay towards these whilst on limited incomes, expecting them to find these sorts of figures in £74 per week is madness. I'm at a loss as to where you think people will find this money from. They will not be able to eat or pay utilities.
A.3	None of the above I think it should remain the same as it is currently
A.4	Keep it at 25%, cannot afford to pay the increase
A.5	The percentage should remain 25%, ideally this percentage should be lower than 25% many councils in England charge less than 25%
A.6	75%
A.7	Lower amount, keep it at 15%
A.8	Keep it at 25%
A.9	It should remain in it's current form with no increase.
A.10	It should be kept to the same, I cannot afford an increase



A.11	Forget Tax's more bingo for OAP free
A.12	RUBBISH
A.13	People won't be able to pay
A.14	Keep it at 25% I am struggling to pay my current ctax charge on benefits
A.15	Slowly, people cannot manage it
A.16	It's a big increase i'm on my own
A.17	They work hard, people should be made to work so if 55% may force them too.
A.18	Should be no increase at all shocking!! People cannot afford to maintain a living as it is.
A.19	Go to working people on low incomes
A.20	No Increase keep the same
A.21	People can't afford it as it is
A.22	No point increasing it as people cant pay as it is.
A.23	Keep it as low as possible
A.24	Making it too hard for people to afford anything at all
A.25	Make them Pay!
A.26	I think it should stay at 25%. This is for people on low incomes and benefits, its wrong to keep making them pay more.
A.27	This is still appalling too high. I understand its currently 25% and am horrified our poorest members of the town will be treated like this by increasing so high. Its barely affordable for those of us working. 35-55% is much higher than other councils. Shameful.

A.28	It should not rise anymore. 25% is hard enough for some families, and they are going to get benefit cuts too.
A.29	n/a
A.30	There should be no changes and the Council Tax support should remain the same figure. I have ticked the box for 35% but want the figure reduced in total
A.31	As little as the rest of the county, I am paraplegic this is an expensive disability that the conservative government seem to want to make more so
A.32	Keep it at 25%
A.33	None of the above options are suitable. Council tax should remain as it is or below 25% like it is in many/most other borough councils in England. Raising it above this threshold for the most vulnerable in society is not how we should be operating in the climate of 2015. 'Big Society' only works when the local society (council) first cares for its local inhabitants.
A.34	I think the rate should stay as it is, to be comparable to national practice.
A.35	I don't think it should increase at all - think it should stay the same.
A.36	I suggest that the rate is kept where it is now. If KBC has a funding shortfall, I do not believe that the least well-off residents of the borough are an acceptable source of meeting this gap. I would sooner see the general rates of tax increase so the burden is shared.
A.37	None of these! Keep it at 25%. KBC is already one of the highest charging authority's. The people receiving council tax credits are the most vulnerable in our society. They struggle to meet 25% never mind any more Enough!!
A.38	Make them pay more so people stop claiming.
A.39	How will people be able to afford 55%?
A.40	of pension age - people should get out to work!
A.41	Things very expensive already
A.42	It will only make the country worse!

A.43	None Don't increase my payments
A.44	Don't get benefits so hard to answer
A.45	They should be made to pay more so forces people to get back to work
A.46	Somewhere in the middle, these options are too high + low
A.47	People cant afford bills - will just make the town even worse
A.48	Everything too expensive
A.49	None - Free!!!
A.50	Keep at 25% put more families at risk of getting debt
A.51	Stay at 25%
A.52	The rate should stay the same. The very poorest members of our community struggle to make ends meet as it is, and a further reduction in council tax support would cause very real hardship. In terms of the overall council budget, the total cost is relatively small, and savings could be made in other areas.
A.53	The liability reduction should remain at the current rate of 25%, this amount is quite high enough even though it is the highest in Northamptonshire and amongst the highest in the country as a whole. It is a figure which is unaffordable by some!
A.54	should remain at the present level
A.55	I think you already charge far too much to some of the poorest people and would love to see it be reduced but will accept you keep it the same as it currently is.
A.56	It should stay as it is currently.
A.57	I would suggest that none of the above are chosen and the current rate remains the same as I understand it is already the highest charged across the county.

A.58	at the moment 25% is punitive and unaffordable for disabled residents and people living on benefits - with the heavy handed collection departments within kettering it seems that the council is trying to turn the poor into a new criminal class
A.59	Should stay the same at 25%

Executive Committee 9<sup>th</sup> December 2015

LOCAL COUNCIL TAX SUPPORT CONSULTATION RESPONSES

**APPENDIX B**

Questions 4 – Do you have any other comments regarding the proposed changes to the scheme?

Response Number	Comment
B.1	People on benefits get more money than working people
B.2	Keep it as low as possible
B.3	Keep it as low as possible
B.4	Councils are struggling so have to make customers pay more
B.5	Don't think we should pay council tax - results in people being made homeless
B.6	None of the above, keep it at 25% or lower it!!!
B.7	As housing benefit will become obsolete, it seems odd to be mirroring this. my understanding was that backdates should already have been restricted to 1cm anyway. But this seems reasonable. people are able to hide behind a 6 month backdate too easily and it isn't making them responsible. I would question the removal of family premium as benefit rates are going to be frozen, you are clearly intending on increasing the council tax charge to an unsustainable figure and people will not be able to afford this. What KBC will gain from doing this in the grand scheme of things will be negligible and again require more resource thrown at recovery.
B.8	It is right that everybody contributes something, but the current rate of 25% is already too high and therefore should not be increased
B.9	Keep it as low as possible
B.10	I have to pay the full amount, they are lucky they get help
B.11	More police services

B.12	Times are hard for people
B.13	Making the poorer, poorer
B.14	I have to pay, so can they
B.15	If you have to change the scheme, keep it as low as possible
B.16	We had to pay and so can other people
B.17	Anything that means more money is not good
B.18	It would be better if it could stay the same. These poor people cant afford to live.
B.19	It would be better to increase the higher charges now than keep on increasing
B.20	We have a Conservative council, what more can we expect
B.21	People on benefits should pay more
B.22	I have never had benefit - people should have to pay like me
B.23	There should be a 4th option in question 1 above - continue the liability reduction of 25%
B.24	It's wrong - these cuts - bedroom tax etc is affecting people on a low income. They should pay as little as possible People become homeless – can't afford it – can't find the extra money. Wealthy people should pay more
B.25	If they have no money they need more help. The council wastes money on watering flowers in the town when it's raining - and portable road sweepers - we should do it by hand!!
B.26	It's the only thing they have to pay so they have to pay the higher amount
B.27	I think Council tax is a joke - I walk everywhere- All I get from this is my bins emptied and that doesn't always get done properly. (One a fortnight - it's a joke) Why do we have to pay it?

B.28	None
B.29	I have to pay my ctax, so can they
B.30	Make them pay more
B.31	For anyone on a low income, people will struggle to afford anymore
B.32	Hard to comment due to not claiming any benefit. If I did, I would probably have a different opinion
B.33	I think regular reviews are a good idea
B.34	Percentage should increase so more is paid
B.35	Should not increase at all, im on benefits , its bad I cannot afford any increase at all
B.36	People don't get enough help as it is.
B.37	I don't believe in benefits, everybody should be working
B.38	Struggling to pay Ctax charge now as on benefits
B.39	I have to pay mine, so should they
B.40	All schemes open to abuse
B.41	We are on benefits but manage our finances to pay the increase
B.42	Cannot afford to pay additional costs, it could be a packet of nappies each week.
B.43	Too high as it is
B.44	OAP why do we pay
B.45	LOAD OF RUBBISH

B.46	Never mind rebate for the unemployed, thick of O.A.P.S
B.47	Keep it at 25%, I cannot afford the changes
B.48	Everyone should pay full like I do
B.49	Pay the higher amount
B.50	I have had to pay my Ctax and don't get any help - they should allow the extra charges out of all the high amounts of benefit they get
B.51	If you have to increase it, then do so
B.52	Leave it as it was before the last election, you are crippling those least able to stand it.
B.53	Disappointing questionnaire. Feels slightly biased towards RAISING the tax. Why no option to keep as it is? Remember that a consultation is supposed to enable fair discussion from all sides.
B.54	Kettering Council say that they have not increased council tax for years but effectively those in rural areas have had to pay more due to the withdrawal of parish & town council grants. And for those on benefits, over the last few years the council has charged them a minimum of 8.5%, rising to 15% the following year and this year 25%. Next year they are looking to charge a minimum of between 35% and 55%, which would be the highest in the county and one of the highest nationally.
B.55	The council have to do what they have to do to support the shortfall
B.56	Don't understand above Keep it at 25% as I can manage this.
B.57	My dad couldn't manage without the help you give
B.58	When rates included with rents, people found things easier. Council tax money is used for unnecessary items - i.e. large TV should be used for something beneficial
B.59	Pay the lower amount
B.60	Bedroom tax is making people suffer I cant afford it as it is.



B.61	Make people pay the highest amount
B.62	If they can't afford it, they can't afford it Some people are genuine
B.63	Making it too hard for people to be able to live
B.64	How can people afford huge TV's etc. pets etc. but get council tax support. They can afford new phones, sky TV. Benefits should be given in vouchers, to use the benefit for what its intended for.
B.65	They should pay the lower amount if they haven't got a lot of money
B.66	35%
B.67	I think they should pay full like I do!!
B.68	Keep it as low as possible
B.69	Keep it as low as possible
B.70	Genuine people need help with their finances and managing money
B.71	Need to catch up and repay my other debt before you whack my council tax up even higher
B.72	They need all the help they can get
B.73	No
B.74	I have to pay so the customer should budget to pay the increase.
B.75	don't affect me - so I don't care
B.76	They have to pay it all. The people in genuine need should not have to pay extra
B.77	Everyone should pay the full amount.
B.78	I don't think there should be an increase. You're supposed to be helping people who are struggling

B.79	People should pay 100%
B.80	No
B.81	I cant afford to live as it is.
B.82	No point with keep changing it - just do it all in one.
B.83	n/a
B.84	No
B.85	Doesn't claim so doesn't understand
B.86	There are better things to spend council money on
B.87	People should pay 100%
B.88	Should stay as it is. People struggle now
B.89	I cant afford any increase
B.90	People need help, not more bills
B.91	Only allow those that genuinely need help
B.92	Anybody struggling should pay the lower amount
B.93	In fact make them pay 75%
B.94	No
B.95	No other comments
B.96	Keep it at 25% as I cannot afford to pay anymore
B.97	No

B.98	I struggle to pay my bills as it is.
B.99	stay the same, people need help - not more bills to pay. People are in too much debt as it is.
B.100	There is no need to increase this.
B.101	This is a disgustingly biased survey, badly designed to try and produce the answer that the designers want to hear.
B.102	I really do not think there should be an increase in the amount that Council Tax claimants have to pay before they receive any council tax relief!!
B.103	It's no fair that you raise council tax for the poorest and keep it the same for the richest
B.104	KBC have claimed to have no increase in council tax for years but actually the poorest among us have had theirs increased year on year at rates way above inflation.
B.105	It seems to be that KBC are proud of their record of not putting up council tax over the last few years but in fact they have been steadily rising it for some of the most vulnerable people in our community and a staggeringly high rate. Enough is enough, it should stop now.
B.106	with the amount of the shortfall - rather than punishing people who cant afford it - cut back on the councillors expenses gravy train and cut the amount of council staff - perhaps introduce a wage cut of 10% to reflect the 10% of benefits that is being taken from the disabled and the poor if the rate remains at 25% - unfortunately though kettering council has a long tory history of treading people who are down even further into the ground in order to help their well of 'mates'.
B.107	Many vulnerable people in the borough will be adversely affected by any increase in the payments they have to make
B.108	Pensioners who do not claim ctax benefits should automatically get a reduction in their council tax bill and not pay 100% of the charge
B.109	Keep it at 25%
B.110	People need to get back into work

B.111	Working people on low wage should get help
B.112	Do Not Increase
B.113	Don't affect me
B.114	Everything too expensive
B.115	Why does it have to keep on changing
B.116	If its got to be done - do it
B.117	Should not increase at all
B.118	Stop making the poorest in society pay for the over spending of the rich.
B.119	Sack The Council
B.120	See above.
B.121	Do not put more pressure on these people, in particular the disabled of working age
B.122	I think that a 55% reduction is too high a jump for people on a low income. 35% reduction would be much more appropriate to achieve a more gradual reduction.
B.123	You will do what you want anyway, why ask
B.124	n/a
B.125	The proposed changes are a means by the present Government to pauperise workers and their families. Local authorities should be protecting the most vulnerable in our society and should reject the present scheme in total. I would hope that those councillors will appreciate the attack on Families that this will represent.

Executive Committee 9<sup>th</sup> December 2015

LOCAL COUNCIL TAX SUPPORT CONSULTATION RESPONSES

**APPENDIX C**

Individual responses to the consultation

Response Number	Comment
C.1	<p data-bbox="507 651 576 680">Hello</p> <p data-bbox="507 723 1406 1039">I am appalled that that there are plans to increase the council tax contribution. Families claiming working tax credits are about to be hit hard by the government. Sadly they are claiming to offset this loss by increasing the national minimum wage. However, for many working families the minimum wage increase will not effect them as they are earn slightly above this. These individuals are hit by austerity through lack of an inflation pay rise, removal of tax credits and now the local government wants to push the knife in a little further. Those being hit are mostly single parent families and this should not be the case.</p> <p data-bbox="507 1081 1398 1254">These actions will push more children into poverty and will force more parents to give up working simply because it no longer becomes financially viable for them. Isn't it time to hit those with more expendable income than they know what to do with rather than once again hurting those whom are trying to keep their head above the water line?</p> <p data-bbox="507 1296 1353 1431">Aside from the obvious points I have made, should it not also be a question of how this is to be enforced? All of a sudden, people cannot afford to pay; do the council employ more people to carry out enforcement ergo costing the tax payer more money?</p> <p data-bbox="507 1473 1401 1574">This is a terribly thought out reform and it is time that the local council put working families and those with nothing first? Asking for a percentage of nothing can only result in one answer.</p> <p data-bbox="507 1617 608 1646">Regards</p> <p data-bbox="507 1688 687 1718">Mrs A Turnbull</p>

## Consultation Questions

1. Of the three options, which do you prefer *(please tick one only)*:

Option 1  
an increase in the liability reduction to around 55% to address the funding shortfall,

Option 2  
an increase in the liability reduction to around 35% to address the funding shortfall.

Option 3  
Other between 35% – 55%, please detail below.

2. If you prefer a different percentage reduction than those proposed, please comment below, with the rate and reasons

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3. Do you feel that the following changes should be introduced

Remove Family Premium	Yes / No
Reduce backdate from 6 months to 4 weeks	Yes / No
Ensure rules around earnings mirror the Housing Benefit scheme	Yes / No
Amend Universal Credit deductions	Yes / No

4. Do you have any other comments regarding the proposed changes to the scheme?

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**Please return your completed questionnaire by 23rd November 2015 to:**

LCTS Officer, Kettering Borough Council, Municipal Offices, Bowling Green Road, Kettering, NN15 7QX

Alternatively you can respond to the consultation online at [www.kettering.gov.uk/LCTS](http://www.kettering.gov.uk/LCTS)

# Have Your Say



## Local Council Tax Support Scheme Review

## Local Council Tax Support Scheme Review

Kettering Borough Council is consulting on its Local Council Tax Support Scheme (LCTS) in line with Government legislation. The consultation process will run for 8 weeks and customer feedback will be considered as part of the decision making process. Any changes to the scheme must be approved by Full Council before the 31st January 2016.

### Background

Council Tax Support was introduced in April 2013 to replace Council Tax Benefit as a result of changes made by central government. Previously, 100% of the cost of Council Tax Benefit payments was reimbursed to local authorities – under the new scheme the government has reduced the level of funding provided.

As a result of reduced government funding, a new scheme for working age customers was introduced after extensive consultation. The scheme reduced the maximum award of support from 100% to 85%. This was phased in over two years. Following a further public consultation exercise last year, this was subsequently changed to 25% for 2015/16.

The national funding for the scheme will be further reduced in 2016/17 and if the scheme continues in its current format Kettering Borough Council will face a shortfall of around £114,000 in 2016/17, this would not be in line with the council's budget guiding principles where national funding cuts are not subsidised at local level. The actual cost of the scheme in 2013/14 and 2014/15 together with the estimated cost of the scheme in 2015/16 and 2016/17 if the liability reduction remains at 25% is shown in **Table 1**.

**Table 1**

Financial Year	Net Annual Cost of LCTS Scheme	Cumulative Impact
2013/14	(£92,000)	(£92,000)
2014/15	(£13,000)	(£105,000)
2015/16	£28,000	(£77,000)
2016/17	£114,000	£37,000

The scheme is administered at a local level and is currently split between the following two areas:

- one for pensioners which is a national scheme
- a local scheme for working age customers.

Pensioners are protected by legislation and their scheme will remain unchanged.

**This consultation relates solely to the local working age scheme.**

In 2013/14 certain exemptions on empty properties were amended in order to assist funding of the shortfall in the new scheme, these amended exemptions will remain in place and no further amendments are proposed.

### Proposals

There are three main options available for changing the liability reduction that adhere to the Council's current policy position. Kettering Borough Council is therefore consulting on each of these options as detailed below. However options 1 and 2 should be considered the maximum and minimum options, you may wish the council to consider other options that are between these figures. These options should be detailed at section 1 of the questionnaire:

#### Option 1

Adjust the level of the liability reduction based on the 'annual cost' of the Council Tax Support Scheme. This would require a liability reduction of around 55% for 2016/17 meaning that working age customers would have to pay at least 55% of their Council Tax Bill. This reduction would require lower increases to the liability reduction in future years

#### Option 2

Adjust the level of the liability reduction based on the 'cumulative cost' of the Council Tax Support Scheme over the medium term (4 years). This would require a liability reduction of around 35% for 2016/17 meaning that working age customers would have to pay at least 35% of their Council Tax Bill. This reduction would require higher increases to the liability reduction in future years.

#### Option 3

Adjust the level of the liability reduction based on an alternative figure between 35% and 55%.

The average Council Tax Band in Kettering is a Band B (the annual liability in 2015/16 is £1,751). Table 2 shows the current amount of Council Tax a customer pays in 2015/16 and the proposed amount for both Option 1 and Option 2 (and assumes Council Tax levels in 2016/17 are the same as in 2015/16) and assumes that the customer receives the maximum benefit they are entitled to.

**Table 2**

Scheme	Reduction	Annual Amount To Pay	Weekly Amount To Pay
<b>Current scheme</b>	25%	£286.88	£5.51
<b>Option 1</b> Liability reduction based on the 'annual cost' of the Council Tax Support Scheme	55%	£631.13	£12.14
<b>Option 2</b> Liability reduction based on the 'cumulative cost' over the medium term of the Council Tax Support Scheme	35%	£401.63	£7.73

## Proposed Scheme Amendments that align the Council Tax Support Scheme with the national changes being made to Housing Benefits

### REMOVING THE FAMILY PREMIUM FOR ALL NEW WORKING AGE CLAIMANTS

The removal of family premium from 1st April 2016 for new claims will bring the Council Tax Support Scheme in line with the changes in Housing Benefit announced by central government. The family premium is part of how we assess the 'needs' of any claimant and is included in their applicable amount, which is compared with their income. Family premium is normally given when a claimant has at least one dependent child or young person. Removing the family premium will mean that when we assess a claimants 'applicable amount' it would not include the family premium (currently £17.45). This change would not affect those claimants on Universal Credit, income support, income related employment and support allowance or income based jobseeker's allowance. Transitional protection could be provided for existing awards until a relevant change occurs.

### Reducing backdating to four weeks

Currently claims for council tax reduction from working age claimants can be backdated for up to six months where a claimant can prove that there was 'continuous good cause' that they could not claim at an earlier time. From April 2016, central government will be reducing the period for backdating Housing Benefit claims to four weeks. It is proposed that the council's council tax reduction scheme be aligned with the changes for Housing Benefit.

### Amend earning calculations

Synchronise the period earnings are taken into account in the calculation of the awards for LCTS and Housing Benefit; this is a technical change only.

### Amendment to Universal Credit

#### AMEND HOW REDUCTIONS IN UNIVERSAL CREDIT ARE TREATED

Change the scheme so that the Council doesn't give more help to Universal Credit claimants who are repaying debts; at present, a person paying off debt through a reduction in their Universal Credit payment may receive more Council Tax Support. The proposed change would remove this advantage and align Universal Credit with other state benefits.

Executive Committee 9<sup>th</sup> December 2015

LOCAL COUNCIL TAX SUPPORT CONSULTATION RESPONSES

**APPENDIX E**

Areas multiple face to face consultation undertaken within the community

Month	Venue
September	Resource Centre
	Surestart Montague Street
	Lab Cres Play scheme
October	Marlow House
	Kettering General Hospital
	Stepping Stones Rothwell
	Carina retail park
	The bridge Rothwell
	Mawsley
	Newland Centre
November	Morrisons
	Town Centre
	Asda
	B&M Retail Park