

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Julie Trahern Head of Customer Services	<i>Fwd Plan Ref No:</i> A16/026	
<b>Wards Affected</b>	All	7th December 2016	
<b>Title</b>	<b>LOCAL COUNCIL TAX SUPPORT</b>		

**Portfolio Holder: Cllr Lesley Thurland**

### **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 2017.

### **2. BACKGROUND**

- 2.1 Members will recall that from April 2013, Council Tax Benefit was replaced with Council Tax Support. Council Tax benefit was 100% funded and was a national welfare scheme through which a maximum relief of 100% could be granted. The Council Tax Support scheme has had its government funding reduced each year since 2013. To comply with Kettering Borough Councils 'Budget Containment Strategy' each year the scheme has to be met from reduced Government funding levels – accordingly the proportion of Council Tax of those people on the scheme has had to increase each year.
- 2.2 The Council is required to undertake a public consultation which includes major precepting authorities (i.e., the County Council and the Police and Crime Commissioner), the voluntary sector and the public, annually (whether the scheme is to change or not).

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- 2.3 Members have previously endorsed a simple set of additional guiding principles that would help frame the discussion about which option was preferable, when setting the levels of support. These principles 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
  - c) The impact on working age claimants should as far as possible be minimised through considering changes to Council Tax exemptions and discounts.
- 2.4 In addition to the above the Council's Budget Containment Strategy is very clear that when funding stops at a national level for a specific scheme, the Council will not step in the funders place and provide substitute funding.
- 2.5 In previous submissions to the Government, the Council has made the point that schemes relating to Welfare / Benefits should be treated as a national issue and fully funded by Central Government.

### **CURRENT SCHEME**

- 3.1 Table 1 provides a summary of the history of the Council Tax Support scheme since its introduction in 2013/14 to 2016/17.

Table 1 – Summary of Council Tax Support Levels		
Year	Level of Council Tax Support / Benefit	Taper Rate – Amount of Council Tax to Pay
2012/13*	100%	0%
2013/14	91.50%	8.50%
2014/15	85%	15%
2015/16	75%	25%
2016/17	55%	45%

\*Previous Council Tax Benefit Scheme

- 3.2 For the current year (2016/17), the maximum level of support that can be received by those in receipt of Council Tax Support is 55% of their Council Tax bill, i.e. they have to pay 45% of the bill themselves.
- 3.3 The Council has been mindful of its budget guiding principles when setting the 'local scheme'. In effect the Council has made a calculation of how much central government funding has reduced for Council Tax Support each year and approved a scheme that fits within the available funding envelope (without substitute funding). In coming to a decision each year, the Council has sought

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to adjust other Council Tax discounts and exemptions so that the pressure on the Council Tax Support scheme is minimised – these measures have effectively been fully utilised unless there are any changes to national government policy (eg, Single Persons Discounts).

- 3.4 Although this is a 'Local Scheme' the key variables of it have been determined on a national basis – for example, Pensioners are effectively 'protected'. This means that the liability to pay falls on around 3,300 households of this around 2,000 households are in receipt of the full rebate of 55%.
- 3.5 It is fair to say that decisions in relation to Council Tax Support have never sat comfortably with Members. The Council has long since argued that welfare schemes (such as this) should be determined and funded nationally. In recent budget rounds members have often referred to the decision on this issue as one of a 'dilemma' rather than a straight forward choice. The Council has though remained true to its guiding principles of not providing substitute funding if another agency / government body reduces funding for a specific purpose.
- 3.6 Members will need to decide a preferred option taking into account the outcome from the public consultation in relation to the changes in the Council Tax Support Scheme to be effective from 1<sup>st</sup> April 2017.

#### **4. SCHEME OPTIONS FOR 2017/18**

- 4.1 The following table outlines the estimated costs of the scheme (prior to the consideration of any further changes) i.e. if the current 45% 'taper' rate were to continue.

Table 2		
Financial Year	Net Annual Cost of LCTS Scheme (£)	Cumulative 'cash' Impact (£)
2016/17	17,000	(75,000)
2017/18	92,000	17,000
2018/19	133,000	150,000
2019/20	179,000	329,000
2020/21	213,000	542,000
2021/22	213,000	755,000

*\* Table 2 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 13.5% of the overall bill. The cost to the County Council will be somewhat greater as their share of the Council Tax Bill is around 73%.*

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- 4.2 The data in Table 2 highlights that with a taper rate of 45% there would be an estimated annual shortfall of £92,000 in 2017/18 and an estimated cumulative shortfall of £17,000.
- 4.3 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.
- 4.4 The only significant variable the Council has at its disposal (to keep within its budget guiding principles) is to adjust the 'taper' (i.e. the amount that people must pay) to ensure that the budget remains in balance. Previously the Council has consulted on the following three options;-
- 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 (5 years) – i.e., to deal with the £17,000 cumulative deficit
- Option 3** - An increase somewhere between Option 1 and Option 2
- 4.5 As explained in previous consultation exercises, taking either option 1 or 2 could be considered to be at opposite ends of the spectrum whilst adhering to the guiding principles on substitute funding. Option 1 would balance the budget annually in one go whereas Option 2 effectively 'smooths' the required increase. Option 2, if taken in isolation could create an increased budget pressure for future years. Option 3 is a middle ground – when the scheme was determined for the current year, the equivalent of Option 3 was used.
- 4.6 Unlike previous years we are in all reality moving to a situation where income collection could start to diminish if we keep increasing the Taper Rate – whereby the higher taper rate actually produces a lower yield because of the adverse impact on collection rates. Members may therefore wish to consider the **fourth option** as a 'one year pilot' and leave the Taper Rate unchanged in 2017/18. The reasons for this could be as follows:
- It maintains the overall income level
  - There is a reducing caseload which could result in a 45% taper being acceptable – although we would only know this in hindsight.
  - The changing national financial landscape - the review of Business Rates funding is considering how this scheme could be funded better.
- 4.7 Table 3 illustrates the four options for 2017/18 , the fourth option being Unlike previous years we are in all reality moving to a situation where income collection could start to diminish if we keep increasing the Taper Rate –

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whereby the higher taper rate actually produces a lower yield because of the adverse impact on collection rates.

Table 3 - 2017/18 Taper Options		
Option	Taper	Notes
1	68%	The taper would need to increase from its current level of 45% to 68%
2	50%	The taper would need to increase from its current level of 45% to 50%
3	Somewhere between 68% and 50%	Basically a compromise / hybrid of the above two options
4	45%	Continuing with a Taper level frozen as at 16/17 for a one year pilot

- 4.8 To summarise, the Members of this committee will need to make a decision on their preferred option to recommend to Full Council, taking into account the findings from the public consultation. Table 4 brings together the four options which the public were consulted on;

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<b>Table 4 – Summary of Consultation Options</b>	
<p><b>Option 1</b> Taper based on the <u>'annual cost'</u> of the Council Tax Support Scheme</p>	<p>The taper would need to increase from its current level of 45% to 68% to address the estimated funding shortfall of £92,000 for 2017/18.</p> <p>Such an increase in the Taper rates could adversely impact on the Collection Rates</p> <p>A taper of 68% would require lower increases to the taper rates compared to the other Options in future years if the current policy position is to be maintained</p>
<p><b>Option 2</b> Taper based on the <u>'cumulative cost'</u> over the medium term of the Council Tax Support Scheme</p>	<p>The taper would need to increase from its current level of 45% to 50% to address the estimated four year rolling funding shortfall of £17,000 from 2017/18.</p> <p>A lower increase in the Taper rate is less likely to adversely affect the Collection Rate</p> <p>A taper rate of 50% would require higher increases to the taper rates compared to Option 1 and Option 3 in future years if the current policy position is to be maintained</p>
<p><b>Option 3</b> Taper level based <u>between</u> Option 1 and Option 2.</p>	<p>The taper would need to increase from its current level of 45% to between 50% and 68% to address the estimated funding shortfall of between £17,000 and £92,000 from 2017/18.</p> <p>A lower increase in the Taper rate is less likely to adversely affect the Collection Rate</p> <p>A taper rate of between 50% and 68% would require higher increases to the taper rates compared to Option 1 in future years if the current policy position is to be maintained</p>
<p><b>Option 4</b> Continuing with a Taper level frozen of 45%</p>	<p>A freeze in the taper rate – remain at 45%</p> <p>A freeze in the Taper rate is less likely to adversely affect the Collection Rate</p> <p>A freeze in the taper rate would require higher increases to the taper rates compared to the other three options in future years if the current policy position is to be maintained.</p> <p>The caseload would need to continue to decrease in a similar fashion to that of the current year to be realistic.</p>

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- 4.9 Further information about the four Consultation Options (based on 2016/17 levels for a Band B property - being the average property banding within the borough) are provided in the Table 5;

Table 5 – Taper Options			
Scheme	Reduction (Taper)	Annual Amount	Weekly Amount
Current scheme	45%	£532.92	£10.26
<b>Option 1</b> Taper based on the 'annual cost' of the Council Tax Support Scheme	68%	£805.30	£15.49
<b>Option 2</b> Taper based on the 'cumulative cost' over the funding envelope of the Council Tax Support Scheme	50%	£592.13	£11.39
<b>Option 3</b> Taper based between 50% and 68%	55%	£651.34	£12.53
	60%	£710.56	£13.66
	65%	£769.77	£14.80
<b>Option 4</b> Taper based on the current scheme	45%	£532.92	£10.26

### Other Technical Changes

- 4.10 As a matter of good housekeeping, there were four further technical amendments which were considered as part of the LCTS consultation, these are outlined below and would bring the LCTS scheme in line with the nationally designed Housing Benefit (HB) and Universal Credit (UC) schemes and would ensure CTS administration is efficient and consistent with both of these schemes. These changes will only apply to the working age.

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- 4.11 **Amendment 1 - To limit the number of dependent children within the calculation for Council Tax Support to a maximum of two** - within the current scheme, claimants who have children are awarded a dependant's addition of £66.90 per child within the calculation of their applicable amount (this is the amount used as the basis in calculating the level of support). The proposal is to limit this to a maximum of two children from April 2017. This will only affect households who have a third or subsequent child on or after 1<sup>st</sup> April 2017. There will be exceptions where there are multiple births after 1<sup>st</sup> April 2017 adopted children or where households merge. This will lead to a restriction in CTS for customers that have a third or subsequent child on or after 1<sup>st</sup> April 2017.
- 4.12 **Amendment 2 - Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Support to 4 weeks** - within the current scheme, applicants can be temporarily absent from their homes for 13 weeks (or 52 weeks in certain cases) without it affecting their CTS. It is proposed that the Council's LCTS Scheme is amended to 4 weeks when a customer is absent from Great Britain. There will be exceptions for certain occupations such as mariners and the armed forces or where a person has to go abroad due to the death of a close relative. When a person is absent from Great Britain for a period which is likely to exceed 4 weeks, their CTS will cease from when they leave the Country and they would need to re-apply on return.
- 4.13 **Amendment 3 -To remove the element of a Work Related Activity Component in the calculation of the current scheme for new Employment and Support Allowance applicants** - It is proposed that from April 2017, all new applicants of Employment and Support Allowance (ESA) who fall within the Work Related Activity Group will no longer receive the work related activity component within the calculation of CTS. This is a technical change that will not affect the level of CTS.
- 4.14 **Amendment 4 – To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them** - Currently when another person is paid Carers Allowance to look after a person in receipt of CTS, a Severe Disability Premium is not included in assessing their Applicable Amounts. This approach avoids paying for the same care twice. This proposed change will align the scheme with HB by treating persons who receive the UC (Carers Element) in the same way as others receiving Carers Allowance - This is a technical change that will not affect the level of CTS.
- 4.15 The four amendments (outlined above) have been formally consulted upon through the LCTS consultation process and findings from the consultation are shown later in this report.

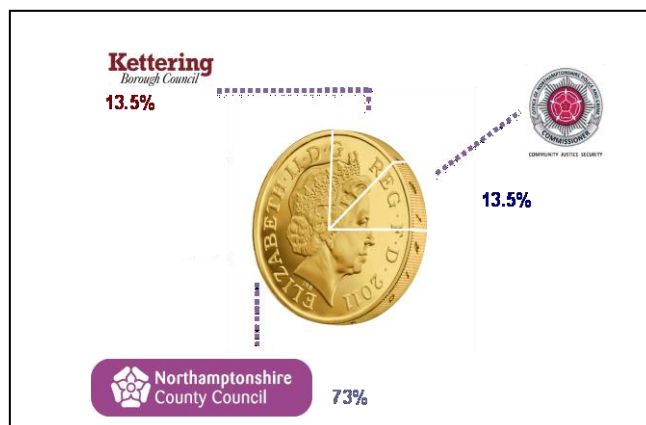


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### 5. ADMINISTRATION OF FUTURE COUNCIL TAX SUPPORT SCHEME

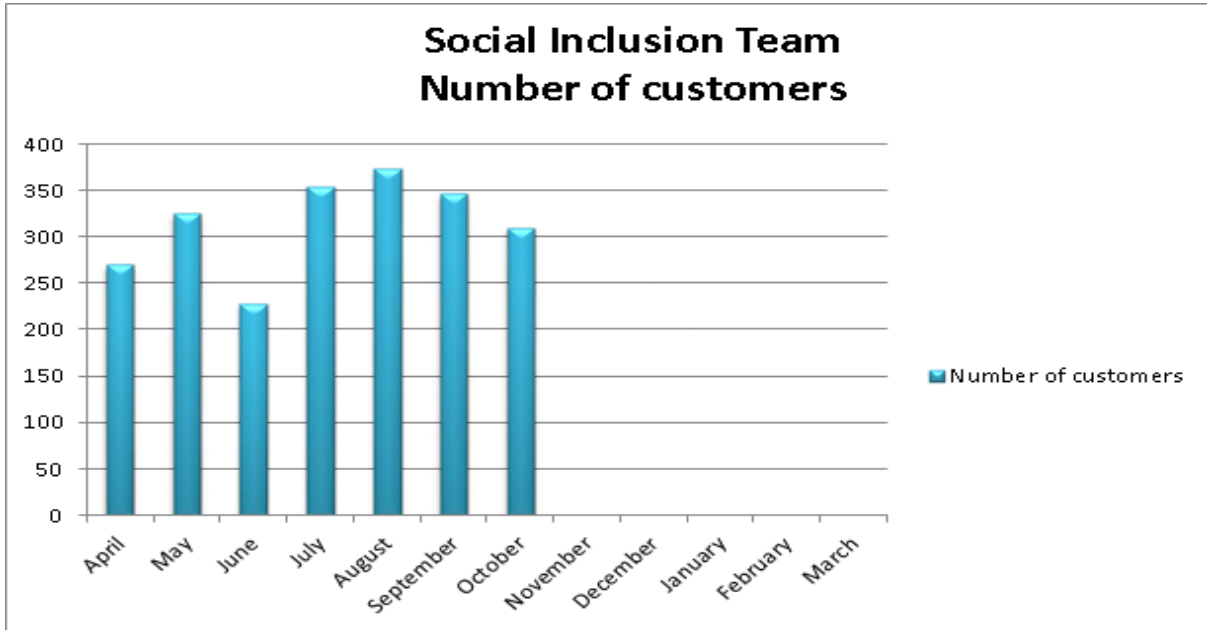
- 5.1 The Council are responsible for the administration and collection of Council Tax for the borough of Kettering, the split in Council Tax funding is broken down in the following diagram;



- 5.2 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.
- 5.3 The support the Council are giving customers to manage their own finances has helped see a considerable reduction in recovery action being taken by the Council at a time when the taper for council tax support has increased.
- 5.4 The credit union launched in April 2014 was set up 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 expectation of need and the actual need continues to exceed the Council's expectation.
- 5.5 The Council had foresight to see the need for helping and assisting customers and understood the increased complexity of need – a new team was introduced – The Social Inclusion Team, this team was introduced in 2015 as a twelve month pilot, due to the continuous increased need the Council are now in the process of making this team permanent by the end of 2016, the table below shows the actual number of customers assisted by the social inclusion team to date during 2016.

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- 5.6 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.
- 5.7 The figures below in table 6 show the increase in Council Tax recovery in 2013/14 when Council Tax Support was introduced, against the reduction in recovery to date for 2016/17 – largely due to the work of the Social Inclusion Team.

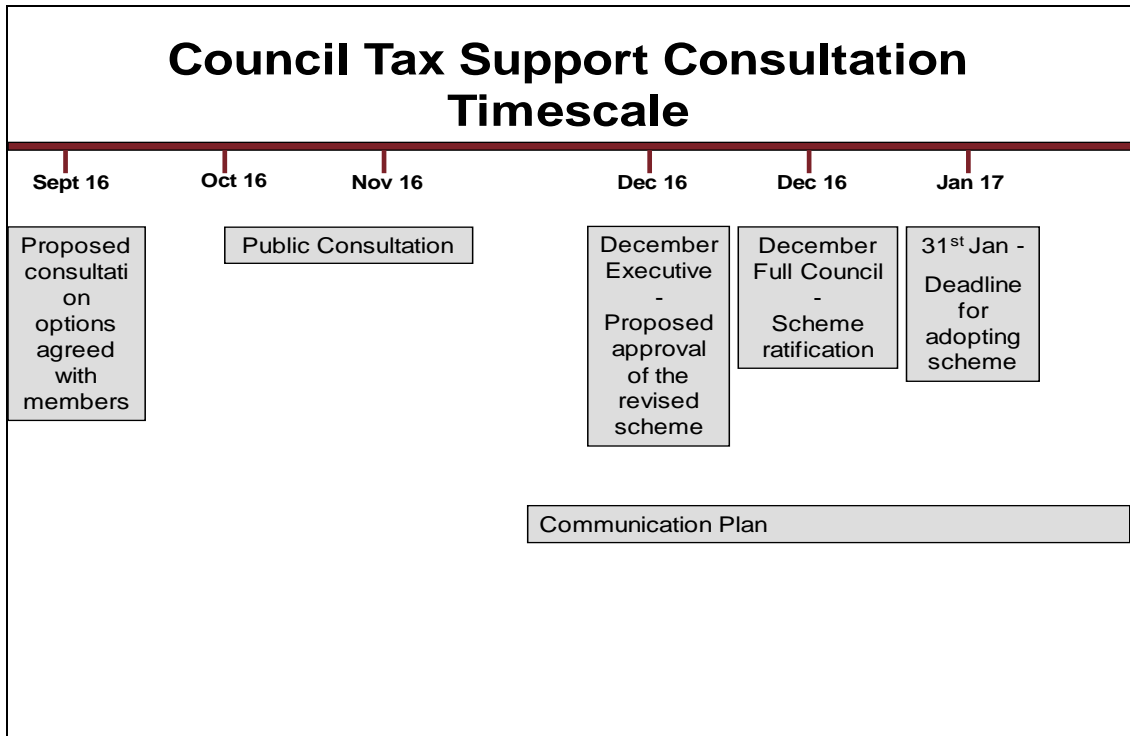
Table 6 – Recovery	Action			
Description	13/14 Oct Cumulative	14/15 Oct Cumulative	15/16 Oct Cumulative	16/17 Oct Cumulative
Reminder Notices	14,580	13,908	12,366	12,368
Summons	4,156	3,720	2,472	2,705
Liability Orders	3,477	3,191	2,275	2,498
Total	22,213	20,819	17,113	17,571

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### 6. CONSULTATION

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



6.2 As part of the consultation exercise, the council also consulted on the following potential technical benefit changes;

Table 7	
Question – Do you feel the following amendments should be introduced	Answer Yes/No
Limit applicable amount to 2 dependent children	
Reduce absence from home outside of Great Britain to 4 weeks	
Remove work related activity component	
Remove severe disability premium where another person is paid universal credit (Carer's element)	

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6.3 These potential changes will ensure that the LCTS scheme remains current and where appropriate in line with the Housing Benefit Scheme.

6.4 The number of customers consulted was as follows;

Table 8		
Type of Consultation	No. Issued	No. of Responses
Face to Face in the Community	325	325
Via the web site	N/A	176
Written (includes mailshot)	5494	92
Advertised in Welfare Reform News Letter	5000	N/A
<b>TOTAL</b>	<b>10,819</b>	<b>593</b>

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

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

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### 7. CONSULTATION RESULTS

7.1 Overall, the following responses were received to the four options which the public were consulted on.

Table 9						
Scheme (Question 1 of consultation document) Of the three options, which do you prefer	Option 1 68% Reduction	Option 2 50% Reduction	Option 3 50 – 68% Reduction	Option 4 45% Freeze	Chose not to respond to this question	Total
Responses	55	51	14	444	29	593

\* Not all respondents chose to answer this questions

\* Individual comments in respect of Question 2 - Appendix A

\* Comments regarding Question 4 - Appendix B

\* Individual responses rather than completing the consultation document - Appendix C

Table 10		
Response to individual questions (Question 3 on consultation document)	Yes	No
Limit applicable amount to 2 dependent children	237	282
Reduce absence from home outside of Great Britain to 4 weeks	302	211
Remove work related activity component	155	332
Remove severe disability premium where another person is paid Universal Credit (Carer's Element)	155	349

\*Not all respondents answered all questions asked on the consultation document

7.2 Further details from individual responses can be seen by reference to Appendices A, B and C.

7.3 From the consultation responses, it is fair to conclude that those who responded to the consultation understood the principle of Local Council Tax Support.

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7.4 The majority of those who responded indicated a preference for Option 4 – which is to freeze the taper at 45%

7.5 The consultation responses slightly favoured in three out of four questions not to keep the Local Council Tax Support scheme in line with the Housing Benefit Scheme.

### **8. POLICY IMPLICATIONS**

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

### **9. FINANCE 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 although there was a slight preference not to keep the Local Council Tax Support scheme in line with the Housing Benefit Scheme two of the three no preferences will have no financial impact on customers, therefore to enable the Council to administer the LCTS fairly the recommendation is that with effect from 1<sup>st</sup> April 2017, the following changes are made to ensure that the scheme remains current and where appropriate in line with the Housing Benefit Scheme.

- a. Limit applicable amounts to 2 dependent children
- b. Reduce absence from home outside of Great Britain to 4 weeks
- c. Remove work related activity component
- d. Remove severe disability premium where another person is paid Universal Credit (Carer's Element)

10.3 Having considered the responses from the public consultation and the information contained within this report, Option 4 is the preferred option.

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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 timetable

### Previous Reports/Minutes:

Executive Report September 2016