

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Julie Trahern Head of Customer Services	<i>Fwd Plan Ref No:</i> A17/009	
<b>Wards Affected</b>	All	20 <sup>th</sup> September 2017	
<b>Title</b>	<b>LOCAL COUNCIL TAX SUPPORT</b>		

**Portfolio Holder: Councillor Lesley Thurland**

### **1. PURPOSE OF REPORT**

- a. Remind members of the background to the Local Council Tax Support scheme.
- b. Outline the estimated financial position for 2018/19 and seek members views about: -

- i) Is there a preferred option for 2018/19

Depending upon the above:

- ii) Whether a formal consultation process is required
- iii) Whether there is an appetite to set a scheme for a period longer than one year (i.e. perhaps 2 years)

### **2. BACKGROUND**

- 2.1 Members will recall that, from April 2013, Council Tax Benefit was replaced with Local Council Tax Support. Council Tax Benefit had been 100% funded and was a national welfare scheme through which a maximum relief of 100% could be granted. The cost of the Council Tax Support scheme is designed to be met locally and, as such, the government funding to support it has been reduced year on year since 2013.
- 2.2 To comply with Kettering Borough Council's 'Budget Containment Strategy', each year the cost of the scheme has generally been reflective of reduced Government funding levels – accordingly the proportion of Council Tax of those people on the scheme has increased.
- 2.2 In previous years, the Council has undertaken a public consultation exercise relating to the scheme. This includes consulting with the major precepting authorities (the County Council and the Police and Crime Commissioner), the voluntary sector and the public. A formal consultation process is required if the Council is considering options that are different to the existing scheme – in each and every year since the original scheme was introduced, this has been

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the case for Kettering Borough Council. Previously, consultations have been undertaken to determine local views and feed into the decision making process (and to comply with statutory requirements).

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, and
- 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 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. This remains the Council's policy position.

### **3. CURRENT SCHEME**

3.1 Table 1 provides a summary of the history of the Council Tax Support scheme within the borough of Kettering, since its introduction in 2013/14.

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%
2017/18	55%	45%

\*Previous Council Tax Benefit Scheme

3.2 For the current year, 2017/18, a pilot scheme for one year was agreed to maintain the maximum level of support that could be received by those in receipt of Council Tax Support to 55% of their Council Tax bill, rather than increase the taper levels in line with the Council's budget requirements, this was possible due to:

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- It maintaining the overall income level
  - There was a reducing caseload
  - The changing national and local financial landscape with an increased number of residents requiring assistance around debt, budgeting and money management.
- 3.3 The Council has always 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).
- 3.4 In coming to a decision each year, the Council has sought to adjust other Council Tax discounts and exemptions, so that the pressure on the Council Tax Support scheme is minimised – these measures have now effectively been fully utilised.
- 3.4 Although this is a 'Local Scheme', some key variables of it have been determined on a national basis; for example, pensioners entitled to local council tax support, are 'protected' - this means that the liability to pay falls on the remaining 3,300 households and, of those, around 2,000 households are in receipt of the current 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 these) 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 straightforward choice. The Council has in the past remained true to its then guiding principles of not providing substitute funding if another agency / government body reduces funding for a specific purpose.
- 3.6 Members will need to shortly decide on Council Tax Support for 2018/19. Members are **not** being asked to make that decision as part of this report, only to decide on the way forward, i.e: -
- is there a preferred option for 2018/19.
  - depending upon the above, is a formal consultation process required.
- 3.7 Should Members decide that the Council should undertake a formal consultation process, the findings will be reported back to the Executive Committee before the end of 2017 and then, subsequently, considered by Full Council for a final decision.
- 3.8 When deciding on a preferred course of action for 2018/19, the Council finds itself in a slightly different situation to previous years. When debating the issue 12 months ago, Members of the Executive appreciated the difficulty of the options they were considering and were generally of the view that, having

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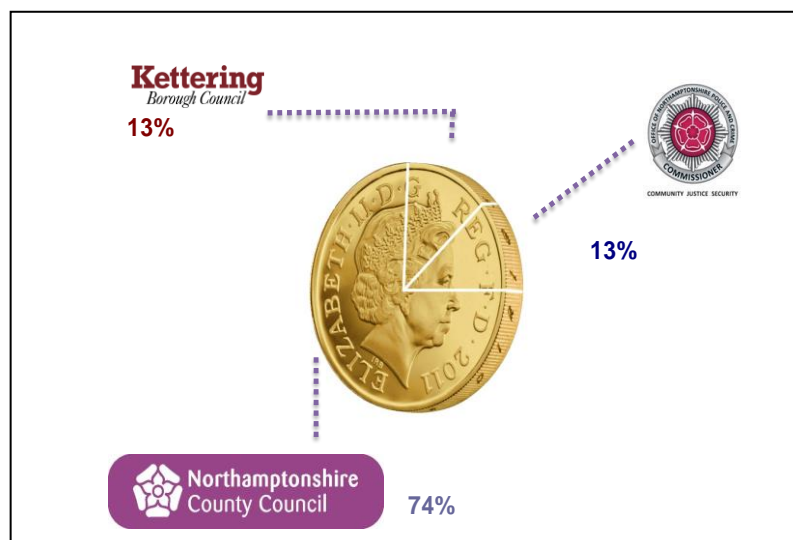
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taken the taper to 45% in the previous year, that this had probably reached the 'maximum' level before it started to have a disproportionate impact, both on the individuals concerned and the prospects for income recovery. This was the main reason that Members effectively decided to 'freeze' the scheme at 45% for 2017/18; however, in doing so it was becoming increasingly difficult to continue to operate strictly within the Council's budget guiding principles.

- 3.9 The budget report elsewhere on this agenda, is considering some possible changes to the budget guiding principles; if the changes are approved, this will give a little more flexibility in this regard.
- 3.10 Given the above, Members have previously expressed a preference to maintain the current scheme (45% taper) for 2018/19. If Members are minded to consider this, because they would not be promoting any changes to the currently approved scheme, there is no formal requirement to undertake a consultation process. It is, however, still considered good practice to get a scheme endorsed by Full Council each year. Therefore, to be able to have a proper debate at that meeting, the Executive may still consider it appropriate to undertake some form of consultation – even if it is a 'lighter touch'.

#### 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 diagram below:



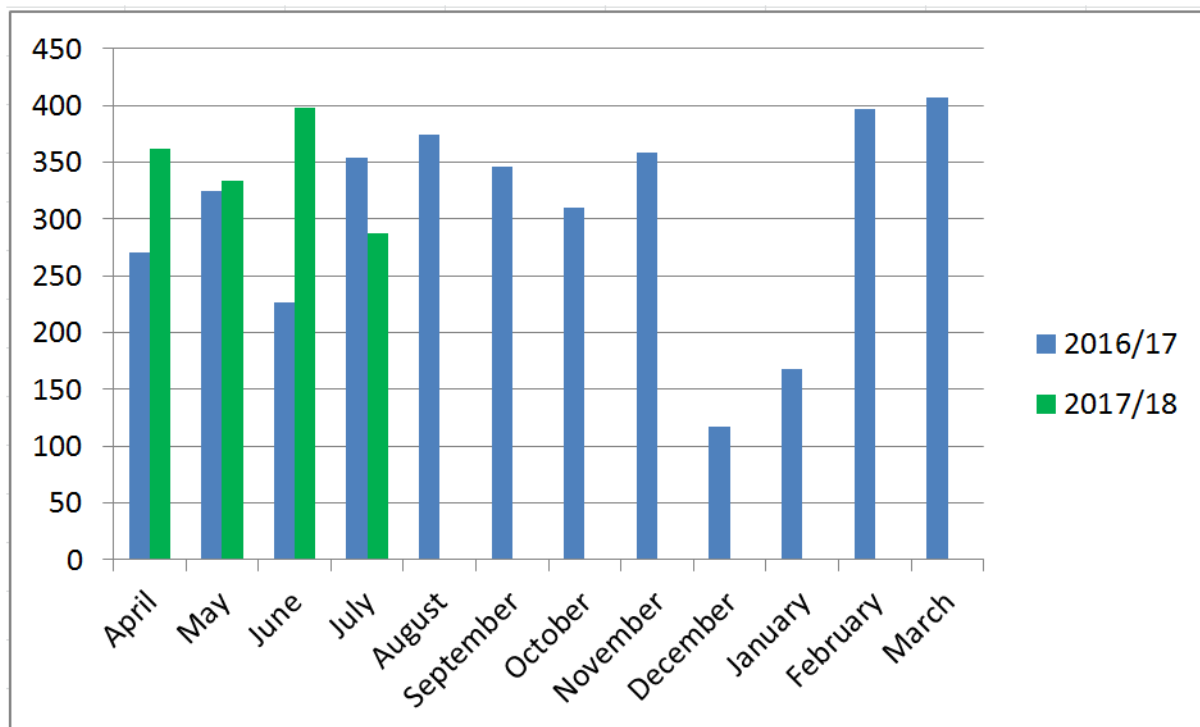
- 4.2 The impact of welfare reform and the current economic climate has significantly increased customer contact and office administration for the Council. Going forward this is expected to continue to increase and, as such, will continue to put pressure on the Council's revenue account.

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- 4.3 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 been frozen.
- 4.4 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.
- 4.5 The Council had foresight to see the need for helping and assisting customers and understood the increased complexity of need and, as such, a new team was introduced in 2015. The Social Inclusion Team was originally developed as a twelve-month pilot. As demand for the service increased the Council increased the number of staff within the team and made the team permanent in early 2017; the table below shows the actual number of customers assisted by the social inclusion team within 2016/17 and the first four months of 2017/18.

**Social Inclusion Team – total number of customers**



- 4.6 The steps the Council are taking to assist the Borough's most vulnerable customers is having a positive impact in helping with managing and preventing debt; however, the increased number of customers needing this assistance

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continues to rise. Irrespective of the option chosen for the local council tax scheme, the Council will need to continue to proactively assist customers in conjunction with our partner agencies.

### 5. SCHEME OPTIONS FOR 2018/19

- 5.1 It is important for members to note the cash impact of the reduction in government funding for Council tax support and the ongoing pressures on our financial position. The table below 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.

Financial Year	Net Annual Cost of LCTS Scheme (£)	Cumulative 'cash' Impact (£)
2016/17	3,000	(88,000)
2017/18	73,000	(15,000)
2018/19	113,000	98,000

*\* 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% of the overall bill. The cost to the County Council will be somewhat greater as their share of the Council Tax Bill is around 74%.*

- 5.2 The data in Table 2 highlights that with a taper rate of 45% there would be an estimated annual shortfall of £113,000 in 2018/19 primarily due to an ongoing reduction in grant, resulting in an estimated cumulative shortfall of £98,000.
- 5.3 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.
- 5.4 The only significant variable the Council has at its disposal is to adjust the 'taper', i.e. the amount the benefit recipient must pay, to ensure that the budget remains in balance.
- 5.5 Looking forward, if the Executive had to comply with the Council's previous budget guiding principles applied in previous years, proposals for consultation would need to consider a taper of 74% to address the estimated funding shortfall of £113,000 for 2018/19. Given previous debates by the Executive, clearly this would be unacceptable and would no doubt cause significant

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hardship to the recipients of the council tax scheme and is likely to have a detrimental effect on collection rates.

- 5.6 In reality, even to consult on this amount as a future proposal would result in a level of anxiety and concern for benefit recipients, which is considered inappropriate.
- 5.7 As in 2017/18, we are continuing to move to a situation where income collection will start to diminish by increasing the Taper Rate – the higher taper rate actually comes closer to resulting in a lower yield because of the adverse impact on collection rates. A “tipping point” is now becoming a reality.
- 5.8 In addition the cost of administration and collection is the sole responsibility of the borough council, whilst merely 13% of collectable income is apportioned to the borough council. The differential balance between cost of collection and actual income generated for the borough council is shifting disproportionately into a negative direction, which could see a detrimental effect on the borough council’s future budgets.
- 5.9 In summary, the professional advice to members is any increase in the taper rate is likely to:
- Have an adverse impact on Council Tax Collection rates
  - Increase the workload and required resource of the social inclusion team, which provides advice and support on debt and money management
  - Increase the cost of administration and collection in the Council Tax recovery process
  - Have a detrimental effect on our rent account as, at any one time, around 1,000 of Local Council Tax scheme recipients are also our tenants.
- 5.10 In line with the above, and in light of the comments previously made by the Committee, the most sensible course of action would seem to be to continue the current scheme for 2018/19. Members may deem it appropriate to reconsider what the future strategy should be for council tax levels, given the refinement to the guiding principles and their potential applications to issues such as this. In reality, absorbing the financial implications of a ‘freeze’ for Local Council Tax Support for 2018/19 will be a challenge in its own right, should Members wish to consider decreasing the taper, the professional advice would be not to do so, for all the reasons outlined in the budget report (elsewhere on this agenda).
- 5.11 As outlined in paragraph 3.8, there is no a statutory requirement to undertake a consultation process when the scheme is not being changed. A table-top exercise looking at other local authority schemes and consultation processes shows that this varies from authority to authority.

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5.12 Although there is no formal requirement to have a consultation process, as outlined in paragraph 3.10, Members may consider it appropriate to have some form of 'light touch' consultation if the preferred action is to continue the current scheme for 2018/19.

## 6. **POLICY IMPLICATIONS**

6.1 This report will consider the process of consultation influencing future policy of the Council Tax Support Scheme.

## 7. **FINANCE IMPLICATIONS**

7.1 As detailed throughout this report

## 8. **RECOMMENDATIONS**

### **That the Executive Committee:**

- a) Note the contents of this report;
- b) Consider whether their preferred option is to continue the scheme that has operated in 2017/18 for 2018/19 (i.e. a taper of 45%);
- c) Determine whether a consultation exercise is required and, if so, upon what basis (and options);
- d) Consider whether a scheme that lasts more than one year should be deliberated at this stage.