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<b>Subject:</b>	<b>COUNCIL TAX REDUCTION SCHEME 2017/18</b>
<b>Meeting and Date:</b>	<b>Cabinet – 21 November 2016</b> <b>Scrutiny (Policy and Performance) - 22 November 2016</b> <b>Cabinet – 28 November 2016</b> <b>Council – 30 November 2016</b>
<b>Report of:</b>	<b>Mike Davis, Director of Finance, Housing and Community</b> <b>Dominic Whelan, Director of EKS</b>
<b>Portfolio Holder:</b>	<b>Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance</b>
<b>Decision Type:</b>	<b>Executive – Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** This report seeks approval for the Dover District Council Tax Reduction Scheme (CTRS), taking into account the recent consultation exercise and making the changes to the current scheme as recommended below.

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**Recommendation:**

It is recommended that Cabinet recommends to Council the revisions to the CTRS for the financial year 2017/18 as set out below.

It is recommended that Council approves the following revisions to the current CTRS (in respect of working age Council Tax payers) for the financial year 2017/18:

1. That the current minimum contribution towards their Council Tax made by recipients of Council Tax Support are increased from 6.0% to 10.0%.
  2. That the maximum savings that a council tax payer liable to pay council tax can have and still claim Council Tax Support is reduced from £16,000 to £6,000.
  3. That a minimum income is used within the calculation for Self-Employed Council Tax payers after 12 months of self-employment.
  4. That the maximum level of Council Tax support is restricted to the equivalent of a Band D property charge.
  5. That only the first two children in a family will be included in the calculation for children born after April 2017. (Some exceptions will apply).
  6. That the Family Premium is not included in the calculation of Council Tax Support for all new working age Council Tax payers.
  7. That the period for which a late claim can be backdated is reduced to one month.
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8. That the period for which a Council Tax payer can be absent from Great Britain and still claim Council tax Support is reduced to 4 weeks (with some exclusions for certain occupations).
  9. That the element of the work related component of Employment and Support Allowance is not included in the Council Tax Support Calculation.
  10. That DDC works towards making determinations pursuant to section 17A(7) Local Government Finance Act 1992 of classes of cases in which the amount of council tax which a person is liable to pay will be reduced in accordance with section 13 A(1)(c) Local Government Finance Act 1992 from April 2017, in order to provide a safety net for council tax payers experiencing extreme difficulty paying their Council Tax.
  11. That Members note the Equalities Impact Assessment as detailed in Annex 4.
  12. Pending acceptance of the Kent County Council proposal (see Annex 5) regarding funding of the revised CTRS scheme administration, Cabinet delegates authority to the Director of Finance, Housing and Community to approve the final details of the scheme for recommending to Council.
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## 1. **Summary**

- 1.1 The existing Council Tax Reduction Scheme (CTRS) has been in place since 1st April 2013 and has remained largely unchanged since that date. Reductions in the Revenue Support Grant (RSG) have resulted in a significant shortfall in CTRS funding. A new more affordable scheme from April 2017 has been consulted on.
- 1.2 The recommendations are that the existing scheme is modified to reduce the level of expenditure within the scheme by an estimated £497k (of which the reduction retained by DDC would be an estimated £54k).
- 1.3 The significant cost saving changes are:
  - (a) Increase minimum contribution to 10% and limit savings to £6,000, saving £259k
  - (b) Assume a minimum level of income based on the National Living Wage for self-employed after 12 months, saving £203k
  - (c) Restrict to the equivalent of a Band D property, saving £35k
  - (d) Total saving £497k.
- 1.4 The majority of the other changes are “structural” and maintain alignment with the Housing Benefit rules whilst protecting the principles of the original scheme relating to protecting the most vulnerable where possible.

## 2. **Introduction and Background**

- 2.1 CTRS is a means tested locally defined Council Tax discount and replaced the national Council Tax Benefit (CTB) in April 2013, since when each billing authority (DDC is a billing authority, whereas KCC is not) is required to set its own CTRS on an annual basis.

- 2.2 The current DDC scheme closely mirrors the former CTB and is administered in a similar way (and often at the same time) as an award of Housing Benefit. It was also a requirement, specified by Government, that although the CTRS could be changed for working age claimants, there should be no adverse changes for pension age claimants.
- 2.3 In 2015/16 Dover District Council awarded £8.4m in Council Tax Reduction on behalf of all precepting bodies. The cost to Dover District Council of those awards was circa £914k.
- 2.4 The DDC CTRS (for working age claimants) has been amongst the most generous in the country, recognising the outcome of the previous consultation where there was a consensus favouring protection of the most vulnerable / least well resourced. The scheme provided a discount of 94% so Council Tax bills to full CTRS claimants were 6% of the full bill, or around £95 per annum, of which circa 88% has been collected.
- 2.5 The scheme must be approved Council by the 31st January every year, to come in to effect from the 1st April of that year. In the event that a new scheme is not agreed, the previous year's scheme will roll forward to the next year.
- 2.6 Whilst CTRS is a local discount, the rules around pension age council tax payers are defined by government and the local authority has no discretion to vary that element of the scheme. However the scheme for working age council tax payers is not defined and the local authority has full discretion over the design and generosity (cost) of the scheme. This means that where there is a need to reduce scheme cost, that burden can only be borne by the working age recipients.
- 2.7 When CTB was abolished in 2013, responsibility for the new CTRS passed to Local Authorities. The funding for CTRS was added to the Revenue Support Grant (RSG), but was subject to a 10% reduction from the previous amount paid under Council Tax Benefit. In practice this 10% reduction in funding to DDC amounted to a 20% reduction in funding for the 50% of the claimants who were of working age and therefore not protected. The amount included within the RSG has not been separately identified since 2013 and since then, central government has reduced the overall RSG by over 60%, whilst expenditure on the CTRS scheme has remained largely static.
- 2.8 DDC previously agreed to lessen the impact on claimants of the funding cut in 2013 by increasing the amount of Council Tax it collected from the general population through the removal of some discounts (primarily empty property and second home discounts which this report does not seek to change) that were available at that time. This additional revenue reduced the amount that needed to be saved from the Council Tax Reduction scheme and for Dover District Council, working age council tax payers have been required to pay a minimum of 6.0% towards their Council Tax. This has not subsequently been reviewed despite the increasing funding shortfall.

### **3. Identification of Options**

- 3.1 CTRS for Dover District Council is managed by EK Services (EKS) alongside the schemes for Canterbury City Council (CCC) and Thanet District Council (TDC). The existing scheme was developed jointly with CCC and TDC and benefits from shared principles, modelling and methodology. The overall principles of the schemes are also common across all the authorities in Kent with the main exception that the three East Kent districts, by raising additional funding through the removal of other discounts, are able to have a lower CTRS claimant contribution rate.

- 3.2 Following the previous consultation, DDC's CTRS was designed to follow the previous CTB scheme rules, but with the following main changes:
- Minimum 6.0% contribution towards the Council Tax charge for all working age recipients
  - Removal of Second Adult Rebate
- 3.3 The major preceptors (KCC, Fire and Rescue and Police) are the main beneficiaries of Council Tax and any cost mitigations, receiving 85% of Council tax between them, and so over the past 4 years of the scheme they have provided each district with an additional £125K per annum of funding to contribute towards the additional costs incurred during the recovery of Council Tax payable by CTRS recipients.
- 3.4 This funding has been used by EKS to fund a number of posts focussed on Council Tax collection and compliance. Major preceptors are currently negotiating a similar arrangement for the 2017/18 financial year and the KCC position is set out in Annex 5. It is therefore anticipated that the current arrangement will continue. As the position has not been finalised, it is recommended that Cabinet delegated authority to the Director of Finance, Housing and Community to make any necessary amendments in the scheme recommended to Council, if he is satisfied with the funding arrangements from the preceptors for 2017-18.
- 3.5 The financial shortfall between scheme expenditure and RSG funding has been growing since 2013 as set out in Annex 6 (column 6). For Dover District Council it's share of that gap equates to its percentage of the total Council Tax raised and currently stands at £574k in 2016/17. Ongoing monitoring has highlighted the risk in continuing with the current arrangements without significant reform or identification of alternative funding streams.
- 3.6 Collectively the major preceptors (the districts, KCC, Police and Fire) across Kent agreed to fund consultancy to review the viability of the existing scheme and to recommend options for change, in order to increase the affordability of the scheme. Based upon the recommendations from that work DDC undertook public consultation on those options, from 27th June to 16th September 2016 as follows:
- Explanatory information and a survey were made available online.
  - Explanatory 'You Tube' videos explained each option in further detail.
  - All working age council tax payers (**5,532**) were sent a covering letter, paper information booklet and paper answer booklet with an invitation to complete either the form or complete an online survey.
  - 5% of the remaining households (**2,582**) were sent a covering letter inviting them to complete an online survey.
  - Copies of the information booklet and answer booklet were available for pick up at Council face to face outlets.
  - **Four** 'Drop In' sessions were held where members of the public could ask questions about the consultation.
  - A statement was added to every Housing Benefit Notification letter and every CTRS notification letter issued between 26<sup>th</sup> June and 14<sup>th</sup> September 2016 advising council tax payers that the consultation was running.
  - Where received, responses from community groups were taken into account
  - The consultation was promoted in the Council's Twitter feed.
  - The consultation was promoted on the Council's Facebook page.

#### 4. Consultation on the Options

- 4.1 Fourteen different options were directly consulted on. Some of these related to direct alterations to the scheme. Others related to “structural changes” to keep the scheme closely aligned to the known changes to the Housing Benefit rules.
- 4.2 Consultees were asked their views on:
- (a) leaving the scheme unchanged;
  - (b) 14 specific changes set out in the table in the “results” section below;
  - (c) their four preferred options;
  - (d) any comments they may have, and
  - (e) their own suggestions.
- 4.3 Consultees were also advised that three further options had been considered but were not likely to be suitable in the long term. Comments were sought on these options. They were:
- **Increase the levels of Council Tax** – This was not considered viable because increasing the Council Tax above 2% can trigger a referendum, and an increase in order to finance the CTRS could inhibit any other decisions.
  - **Reduce expenditure on other Council services** – Budget pressures mean that this is already under consideration as a regular aspect of the budget process and so this would place additional pressure on other budgets.
  - **Use Council reserves** – This is not a sustainable solution and does not address the underfunding of the CTRS in the longer term.

## 5. **Results of the Consultation**

- 5.1 634 responses were received to the consultation, representing a 7.8% response rate. All responses were captured and collated. The highest number of responses were from existing CTRS claimants, comprising 86% of the total.
- 5.2 The consultation results are analysed below. A full breakdown is provided in Annexes 2 and 3.

Option Number	Question	Estimated impact on expenditure	Number in Agreement	% In Agreement (1)	Recommend inclusion?
	The Council should keep the current Council Tax Support Scheme	Growth would be through CX increases	335	72%	No
1	Increase the minimum contribution working age recipients will need to pay towards their Council Tax charge from 6% to 10%	£191k	207	39%	Yes
2	Increase the minimum contribution working age recipients will need to pay towards their Council Tax charge from 6% to 15%	£440k	83	16%	No
3	Use a minimum set income for self-employed earners after one year	£236k (2)	228	52%	Yes
4	Reduce the savings, capital and investment limit from £16,000 to £6,000	£35k	273	53%	Yes
5	Introduce a standard weekly charge of £10 for all claimants who have a non-dependant living in their property	£60k	251	50%	No
6	Restrict the maximum level of Council tax support payable to the equivalent of a band D property charge	£39k	217	50%	Yes
7	Restrict the maximum level of Council tax support payable to the equivalent of a band C property charge	£67k	126	31%	No
8	Remove the Family Premium for all new working age claimants	None – this will avoid future costs with new claimants	167	39%	Yes
9	Reduce backdating of new claims to one month	None – this will avoid future costs	332	63%	Yes
10	Reduce the period for which a person can be absent from Great Britain and still receive Council Tax Support	None – this will avoid future costs	438	81%	Yes

Option Number	Question	Estimated impact on expenditure	Number in Agreement	% In Agreement (1)	Recommend inclusion?
	to four weeks				
11	Remove the element of a Work Related Component in the calculation of the current scheme for new Employment and Support Allowance applicants	None – this will avoid future costs	217	55%	Yes
12	Limit the number of dependent children within the calculation of Council Tax support to a maximum of two	None – this will avoid future costs	312	61%	Yes
13	Introduce a scheme, in addition to Council tax support, to help applicants suffering exceptional hardship	Budget to be decided	470	89%	Yes
14	Take Child Benefit or Child Maintenance paid to the claimant or partner into account in full in the calculation of Council tax support	£308k	247	47%	No

Notes:

(1) Does not include “don’t knows”.

(2) £236k is a maximum figure for self-employed council tax payers and assumes no change in employment status for those affected council tax payers.

## 6. **Commentary on the Results of the Consultation**

The notes below analyse the returns of those respondents who expressed an opinion on an option.

In considering the responses, Members should note two significant factors:

- the percentages quoted do not take account of those respondents not expressing an option; and
- in order to manage the scale of the consultation, it was sent to all 5,500 working age CTRS claimants (100% consultation) and circa 2,300 households not claiming CTRS (5% consultation). Therefore the overall raw numbers responding will be skewed in favour of CTRS claimants’ views. Annex 1C shows that if the results of the consultation are applied to the population pro rata, then on the two main changes, increasing the contribution rate from 6% to 10%, and limiting CTRS to Band D, the overall level of support is significantly higher than is shown by a simple addition of the returns received and supports the proposed changes.

### Existing Scheme Unchanged

- 6.1 72% considered that the scheme should remain unchanged. Although there was strong support for this option, this would only be achievable on a long term basis

through the redirection of funding from other services or the raising of Council Tax, with the latter triggering a district wide referendum on raising the level of Council Tax.

- 6.2 The cost of holding referendum would fall to the district and would be disproportionate to the additional income that would be raised should the general public support the move. It is therefore not recommended to take this option forward.

Option 1 – Increase Contributions from 6% to 10% (Please see Annex 1C for the proportions responding)

- 6.3 39% (207) agreed with this option. This approach, whilst not the most popular is widely accepted as the fairest way to reduce funding with all working age households impacted by the same percentage and no community group unfairly disadvantaged.
- 6.4 Analysis of the 207 responses revealed that there was a favourable response from 28% of the respondents in receipt of CTRS, and a 59% favourable response from council tax payers not in receipt of CTRS. Applying these percentages pro rata to the overall population would result in 28,847 households or 55% of the overall total supporting the change.<sup>1</sup>
- 6.5 There was greater support for this option than Option 2 (increasing the minimum contribution to 15%) and it is recommended that this is taken forward in conjunction with other options as part of a package of savings

Option 2 – Increase Contributions from 6% to 15%

- 6.6 16% agreed with this option. Whilst this would reduce scheme expenditure significantly, there was little support for this approach. It would also have a greater impact on the Council Tax collection rate as greater amounts would need to be collected from all working age claimants. It is therefore not recommended to take this option forward.

Option 3 – Assume a minimum level of income for the self-employed after 1 year.

- 6.7 52% agreed with this option. Whilst there was strong support for this approach, there is a need to consider the balance between supporting developing businesses and the potential for stifling entrepreneurs within the district. However it is considered that the 'grace' period of 12 months does give time for a business to become more established and the proposed income is based on the national minimum wage. This would also compliment the approach taken to Self Employed income taken within Universal Credit. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 4 – Reduce the savings disregard from £16,000 to £6,000

- 6.8 53% agreed with this option. It was generally felt that council tax payers with access to capital over £6,000 should not receive assistance from the other tax payers. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 5 – Introduce a standard weekly charge of £10 for all claimants who have a non-dependant living in their property

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<sup>1</sup> 51,802 working age households in total, of which 5,532 are in receipt of CTRS and 46,270 are not. Of the respondents, 28% of CTRS households and 59% of Non CTRS household support the change. This equates to 28,847 households in total or 56% of the total.



- 6.9 50% agreed with this option. However there is a risk with this approach of some vulnerable households with more than one non dependant having all of their assistance removed. This option may also lead to greater incidences of Non dependants being forced to leave their homes and a corresponding increase in use of Housing Options resource, which would outweigh the savings this option would generate. It is therefore not recommended to take this option forward.

Option 6 - Restrict the maximum level of Council tax support payable to the equivalent of a band D property charge

- 6.10 50% agreed with this option. The feeling from respondents was that residents in larger properties should downsize. It is acknowledged that this may be difficult to achieve where there is little money to support such a move. However the strength of public opinion coupled with the planned introduction of a hardship fund to assist those worse off mean that it is recommended to take this option forward.
- 6.11 Annex 1C shows that, when adjusted for the proportions of CTRS claimants and non-claimants consulted, there is an overall majority supporting this option.

Option 7 - Restrict the maximum level of Council tax support payable to the equivalent of a band C property charge

- 6.12 31% agreed with this option. As with option 6 this would impact significantly on recipients who were previously able to support themselves and for whom downsizing is problematic. This would have an impact on a larger number of households than option 6 and is supported by fewer respondents. It is therefore not recommended to take this option forward.

Option 8 - Remove the Family Premium for all new working age claimants<sup>2</sup>

- 6.13 39% agreed with this option. There was lower support for this option but many of the respondents were referring to a reduction in ongoing payments. The removal of the family premium is a change that will be taking place within the Housing Benefit rules from April 2017 and this proposal is one of those that have been made to maintain the alignment between Council Tax Support and the Housing Benefit rules. Existing council tax payers will be protected from these changes, and to remove the premium in one benefit but allow it in Council Tax Support is likely to result in significant confusion and ongoing contact from worried council tax payers which will increase rather than decrease the cost to the authority of providing the service. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 9 - Reduce backdating of new claims to one month

- 6.14 63% agreed with this option. It received strong support from respondents. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 10 - Reduce the period for which a person can be absent from Great Britain

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<sup>2</sup> Options 8, 9, 10, 11 and 12 do not generate specific savings but as part of the alignment with the changes to Housing Benefit will result in an avoidance of additional scheme costs for new claimants after 1<sup>st</sup> April 2017. Existing claimants will not be affected by these changes while they remain continuously entitled to Council Tax Support.

- 6.15 Of the respondents that expressed an opinion, 81% agreed with this option. It received very strong support from respondents. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 11 - Remove the element of a Work Related Component

- 6.16 55% agreed with this option. It received support from respondents and would not have any impact on council tax payers. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 12 - Limit the number of dependent children within the calculation of Council Tax support to a maximum of two

- 6.17 61% agreed with this option. It received strong support from respondents. Existing councils tax payers would be protected and exemptions would apply for adoptions and multiple births. It is therefore recommended that this is taken forward in conjunction with other options as part of a package of savings.

Option 13 - Introduce a scheme, in addition to Council tax support, to help applicants suffering exceptional hardship

- 6.18 89% agreed with this option. There was very strong support for this option and it is therefore recommended that this is taken forward to help reduce the impact of the recommended options for the most vulnerable council tax payers experiencing extreme hardship.

Option 14 - Take Child Benefit or Child Maintenance paid to the claimant or partner into account in full in the calculation of Council tax support

- 6.19 47% agreed with this option. There was strong support for this, but there was concern that this approach would result in increased child poverty. As this is contrary to stated Council intentions, it is therefore not recommended to take this option forward.
- 6.20 Options 1, 3, 4 and 6, when modelled together would impact on existing council tax payers and would reduce scheme expenditure by up to £497k. This reduction in expenditure is made directly by increasing the Council Tax payable of those affected and therefore is shared between all the preceptors on the established pro-rata basis. The share retained by DDC is currently 10.8% (excluding parishes) and on this basis, Dover's expenditure would decrease by up to £54k.
- 6.21 Section 13A(1)(c) of the Local Government Finance Act empowers the Council to reduce the amount of council tax which a person is liable to pay in respect of any dwelling if an application is made to them in that behalf. The Council Tax Reduction Scheme "must state the procedure which a person can apply to the authority for a reduction under section 13A(1)(c) and EKS do have in place procedures for considering such a request. There is however no need to have a policy or scheme against which such requests can be assessed and the Council does not currently have one. This means that any individual requests which are received must be considered on their own merits. If implemented, Option 13 would lead to the Council determining particular classes of case in which a reduction under section 13A(1)(c) would be granted. In other words, there would be a formal scheme in place which could provide a safety net for council tax payers disproportionately affected by increases in Council Tax payable. If implemented, Option 13 could provide a safety net for council tax payers disproportionately affected by increases in Council Tax payable.

**7. Resource Implications**

- 7.1 The CTRS no longer receives specific grant funding and is funded through the Council's resources comprising Council Tax, Business Rates, New Homes Bonus and Revenue Support Grant. Therefore any scheme has to be affordable to the Council and strike a reasonable balance between claimants, Council Tax payers and service users.
- 7.2 The scheme has not materially changed for some years, but the RSG has reduced by over 60% over the same period. Annex 6 shows the reduction in funding alongside the relatively static share borne by claimants.
- 7.3 As a result, the bulk of the additional costs falling on DDC (and KCC, Police and Fire) have been borne by general Council Tax payers as they pay their 100% of Council Tax and through savings in the costs of services. The proportion that has been paid by CTRS claimants has remained comparatively small (see table at Annex 6). It is therefore appropriate to consider re-balancing the scheme whilst maintaining protection and affordability for claimants.
- 7.4 The major preceptors, KCC, Fire and Rescue and Police are under similar financial pressures and collectively retain 85% of Council Tax so decisions by DDC have a greater impact on them and they have a significant interest in ensuring a reasonable scheme is approved.
- 7.5 If the recommendations are approved, then the scheme as a whole will save DDC and the preceptors £497k per annum in total, of which £54k will be attributed to DDC.

## 8. Corporate Implications

- 8.1 Comment from the Section 151 Officer: The Director of Finance, Housing and Community has been involved in the production of this report and has no further comments to add (MD).
- 8.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted and has no further comment to add.
- 8.3 Comment from the Equalities Officer: The Equality Officer has been consulted during the development of this report and has no further comments to make other than to remind members that in discharging their responsibilities they are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>.

## 9. Appendices

Annex 1A	Consultation Options Booklet
Annex 1B	Consultation Answers Booklet
Annex 1C	Balance of Consultees
Annex 2	Numerical Breakdown of consultation responses
Annex 3	Full details of comments received during the consultation
Annex 4	Equalities Impact Assessment
Annex 5	KCC Letter
Annex 6	Table showing the burden of costs for the CTRS
Annex 7	Comparative Contribution Rates Across Kent

(Note – because of the size of the report, Annexes 1A – 3 will be provided separately to Members in order to assist them in accessing the information.)

## 10. Background Papers

- 10.1 None.

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