KCC Letter

Strategic & Corporate Services
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Local Council Tax Reduction Schemes and Incentive Arrangements

Following our response to district consultation on revised schemes in August I have been asked to clarify in writing KCC's position in response to the administration payment, incentive schemes and hardship funds.

Administration Payments
We fully accept that it is reasonable that precepting authorities should make a contribution towards the additional costs districts incur in administering local schemes which help to safeguard and increase the council tax base. This has always been our stance and I hope reflects the high standard of joint two-tier working we have in Kent compared to other parts of the country. We must also recognise that all authorities are being asked each year to make efficiency savings and we believe the administration of schemes should be no different and therefore we would normally expect the administration payment to reduce each year. However, we accept that we are expecting districts to keep schemes under review and this negates the scope for efficiency savings on the 2017/18 payments.

In line with our original response letter we would expect as an absolute minimum that schemes are kept up to date to reflect housing benefit and other welfare reforms. Therefore, KCC is willing to maintain the same overall administration contribution (£1.25m out of a total of £1.5m) providing districts agree to make the necessary changes consistent with this principle. This includes:

- Removing the work related activity within ESA for new applicants
- Reduce backdating from 6 months to 1 month
- Limit council tax discounts to 4 weeks for eligible applicants absent from UK
- Remove the family premium
- Limit dependent children additions to the first 2 children only

We have also made our position clear that we think the basic working age discount should also be kept under review. In particular we believe this should take into account the further significant reductions in Revenue Support Grant (RSG) and other grants since the original schemes were introduced in 2013, and therefore by default the proportion of the cost that should be borne by council tax support recipients and the proportion borne by other non-recipient council tax payers. Since individual districts are not starting from the same level of discount it is impossible to adopt a standard pan Kent level which we would expect to see. Therefore set out below is the minimum reduction in working age contribution compared to the default scheme that we would expect to see in the changes from 2017/18.

Table 1	Current WA Reduction	Revised Minimum WA Reduction
Ashford	10%	15%
Canterbury	5%	10%
Dover	6%	10%
Maidstone	13%	17%
Swale	15%	18.5%
Thanet	5.5%	10%
Others	18.5%	20%

We presume other precepting authorities will also agree to maintain their contribution although we cannot make up any shortfall should they decide otherwise. We will need to return to the issue of whether efficiency savings are possible in future years without compromising districts' ability to continue to support the listed changes.

In terms of the distribution of the administration payment we are happy for this to be resolved by mutual agreement between districts. We support the principle that administration payments should reflect the different workload levels in individual districts but would prefer this is applied by mutual consent between the Kent districts.

Incentive Payments

We are prepared to offer an incentive payment to districts which go further than the minimum expectation outlined above, where districts agree other changes to schemes. Once again it seems to us totally reasonable that the county and other preceptors should reward those districts which go the extra mile. There is still some detail to agree whether this incentive payment should be a fixed grant for the duration of this new agreement (3 years) based on the anticipated benefit from CTR scheme changes, or whether it can be a more general calculation using the actual tax base each year.

What we cannot do is pay across an incentive for increases in the tax base due to the number of properties on the VOA list or changes to council tax support arising from demographic and economic factors (both of which are already assumed in the Local Government Funding Settlement according to the current distribution in two tier areas). Self-evidently we cannot pay an incentive from the additional tax base derived from anti-fraud activity which we have funded through the Kent Intelligence Network (KIN) or other ad-hoc arrangements under the Memorandum of Understanding on Fraud.

We must also ensure that the calculation of the incentive payment does not include any of the council tax raised through the social care precept. This was introduced in 2016 and for the first time hypothecated council tax income. We have to make a declaration that all of the proceeds raised through the precept are spent on adult social services. In order to comply with this the additional £21.78 included in KCC's

Band D charge for 2016/17 must be excluded from the incentive scheme as otherwise we could find ourselves unable to satisfy the conditions for the levy.

We envisage KCC's contribution to the incentive pot from the CTR scheme changes under consideration in district consultations (as supported in our response) would be in the region of £0.5m. As we have already stated the distribution between districts still needs to be resolved based on more modelling work. This will either be a fixed payment for the duration of the revised agreement (3 years) or an annual calculation based on annual impact on the tax base. We are minded to favour the former on the grounds of simplicity and certainty.

Ideally we would incorporate existing incentive payments we have made to certain districts that made further reductions to empty property discounts into a single incentive payment rather than maintaining separate arrangements.

Hardship Funds
As we put in our response we support the principle of a hardship fund to help those families in exceptional circumstances who face difficulty in paying the discounted council tax bill. We agree with Kent districts that this is the most effective way of targeting additional support rather than making schemes more complex, even though currently only a minority of authorities offer such schemes. Clearly the detail of schemes still needs to be resolved and we do have some concerns with the pro-forma scheme which was circulated to Kent Finance Officers, but we did not have the opportunity to discuss these at the most recent KFOA meeting.

Finally just to be clear we do expect that the latest scheme proposals for administration and incentive payments would be another time-limited agreement (as with the original scheme). We envisage this would be 3 years with further consideration of renewal during the second 18 months.

Yours sincerely,

Dave Shipton
Head of Financial Strategy and Deputy S151 Officer