

## **COUNCIL**

**21 JANUARY 2016**

### **LOCALISING SUPPORT FOR COUNCIL TAX**

Portfolio Holder: Councillor Alan Jarrett, Leader  
Councillor Rupert Turpin, Business Management

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#### **Summary**

This report seeks Council approval of the adoption of a revised local council tax reduction scheme.

**Appendices 1-7 to this report are set out in Supplementary Agenda No.1**

#### **1. Budget and Policy Framework**

1.1 It is the Cabinet's responsibility to propose a budget to be agreed by Council. The scope of the localised Council Tax Reduction Scheme (CTRS) will have an impact on both the taxbase calculation and the budget requirement that underpin the budget proposal. The consequences of dealing with these issues will directly impact on the level of council tax. Approval of the CTRS is a matter for Full Council.

#### **2. Background**

- 2.1 The current Medway scheme is available from the following link  
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MIId=2973&Ver=4>
- 2.2 Any entitlement to a reduction is based on a means test, by taking into consideration a person's income and comparing this with any personal allowances, premiums and disregards to which they may be entitled.
- 2.3 For each financial year, the Council must consider whether to revise its scheme or to replace it with a replacement scheme. It must make any revision to its scheme, or any replacement scheme, no later than 31 January for the subsequent financial year.
- 2.4 Revisions to the CTRS or a replacement CTRS must be the subject of consultation.

- 2.5 In order to maintain the balance between the council tax reduction scheme and the allowances to which claimants are entitled Council amended the original scheme on 24 January 2014, following public consultation, so that it is updated on an annual basis in line with national changes (decision number 748/2014).
- 2.6 The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015 has been incorporated into the scheme and includes matters which must be contained within the local authority scheme. This instrument introduces amendments to increase certain of the figures in the Prescribed Requirement Regulations. This instrument also makes various amendments to the Prescribed Requirements Regulations in order to mirror, as far as possible, changes to the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006 (S.I. 2006/214) (“the 2006 Regulations”). A copy of the regulations is at Appendix 1.
- 2.7 The Department for Work and Pensions Housing Benefit Adjudication circular A13/2015 which is in accordance with The Welfare Benefits Up-rating Act 2013 (Commencement Order 2013) No. 2317 (C.95) states no increase to personal allowances for 2015/16. Officers expect the circular to be confirmed around the end of January by The Welfare Benefits Up-rating order. A copy of the circular is at Appendix 2.
- 2.8 The Housing Benefit and Housing Benefit (Persons who have attained the qualifying age for state pension credit) (Income from earnings) (Amendment) Regulations 2015 amends the Housing Benefit Regulations 2006. It amends regulation 29 to provide how a decision maker should calculate a claimant’s average weekly income from employment and when they should be taken into account. These changes have been incorporated into the revised scheme to ensure consistency between the calculation of Housing Benefit and the CTRS. A copy of the regulations is at Appendix 3.
- 2.9 On 15 August the Cabinet considered the cost of maintaining the current scheme for 2016/17 and the funding options considered included:
- Continuing to pass on the cuts in government funding to every one of working age who is entitled to a Council Tax Reduction
  - Increasing Council Tax for all Council tax payers
  - Using reserves to deal with the cut in government grant
  - Spending less on the services delivered
  - Making cuts to expenditure on social care
- 2.10 Cabinet agreed to the commencement of a twelve week consultation in relation to proposals to reduce the maximum CTRS discount from 75% to 65% (decision number 113/2015) and enhance the extended payments period from four to eight weeks (decision number 114/2015).

### **3. Advice and Analysis**

#### **3.1 Consultation Methodology**

3.1.1 The consultation process began on 8th September and finished on 30th November 2015. The consultation comprised of the following elements:

- Letter and survey sent by post to 3,000 randomly selected council tax payers and CTR recipients
- Online survey made available on the Medway website.
- Email to Housing Associations, Welfare & Advice Organisations and Support Groups providing details of the consultation and a link to the online survey to comment and disseminate to other relevant stakeholders.
- Posters and flyers at key council venues and outlets to promote the consultation.
- Access to web survey on intranet for Medway Council Staff.

3.1.2 Following discussions at Business Support Overview and Scrutiny the targeted sample size for CTR recipients was increased by 2,560 households. This was to ensure that the direct impact on CTRS recipients can be measured and would provide a greater understanding of the different views held by stakeholders and should provide a sufficient sample size to explore the different responses to each question made by this specific stakeholder sub-set.

3.1.3 A copy of the survey questionnaire is at Appendix 6.

#### **3.1.4 Response Rate**

3.1.5 There were 920 responses received during the consultation period out of the 5,560 surveys sent. A more important measure is whether the response rate provides a representative sample of the population. This provides the ability to assess how closely the results match the 'true value' by using knowledge of the sample size and how often an answer is given to define a 'confidence' level. For the purposes of this survey we can assess this against response from the general population and those from residents in receipt of CTRS.

3.1.6 There were 626 responses to the randomly selected residents across Medway out of a population of 263,925; this is sufficient to provide a representative sample of the residents' views on the CTRS proposals with a confidence interval of  $\pm 3.9\%$ . So for example if 47% of our sample picks an answer you can be 'sure' that if the entire population had been asked that between 43.1% ( $-3.9\%$ ) and 50.9% ( $+3.9\%$ ) would have also picked that answer. At the end of the consultation period there were 294 respondents from CTR recipients out of the 20,106 households that are within the scheme. This provides a confidence interval of  $\pm 5.7\%$ . The 2011 Census population data has been used in this analysis as some demographic characteristics, such as ethnicity and disability, are not updated as part of the latest population estimates published by the Office for National Statistics.

### 3.1.7 Weighting

3.1.8 In addition to assessing the response of the sample as a representation of the overall population in Medway, it is also important to assess if there is any significant variance in views from residents with different characteristics, such as age, ethnicity and gender. Such groups are often over or under represented, making comparison difficult.

3.1.9 Weighting is applied to rebase slightly underrepresented or overrepresented demographic groups in line with the Medway population to ensure that it accurately reflects the profile of Medway. The weighting process assigns 'an adjustment weight' to each survey respondent. For example persons in an under-represented groups get a weight larger than 1, and those in over-represented groups get a weight smaller than 1. This helps to reduce sampling error further and to ensure responses from different groups of residents are identified when analysing the survey results.

3.1.10 To improve the accuracy of the consultation response rates the survey responses have been weighted against the 2011 census population figures for the Medway area based on the following categories:

- Gender (Male; Female)
- Age (Under 34; 35 to 54; 55 to 74; 75+)

3.1.11 Respondents from the CTR group were weighted based on 20,106 households in receipt which is approximately 60/40 split in favour of the working age recipients. To ensure that the responses received are representative of the Medway population all data has been weighted by age and gender. Those who had not answered the age and gender questions and those amongst the CTR group who had not stated if they receive a state pension or pension credit were excluded from the weighting.

3.1.12 This combined with the fact that not all respondents have answered each question means that the number of respondents for each question varies. Therefore the number of respondents (the base) for each question has been stated. Statistically significant differences based upon demographics have been included in the overview.

### 3.1.13 Results

3.1.14 **Question 1 - Thinking about the proposals for the 2016-17 Council Tax Reduction Scheme which option should the Council choose to deal with the reduced funding from Government?**

3.1.15 The most common choice selected by all respondents was to 'continue to pass on the government cuts to all those of working age who is entitled to a Council Tax Reduction' (53%, base 848).

- Of all respondents those aged 55 to 74 were more likely to state that the cuts should be passed on to those of working age (62%, base 199) compared to all respondents, 53%. There were no other statistically significant variations to the overall group based upon age.

- Those respondents from Black and Minority Ethnic (BME) groups were less likely to state that cuts should be passed on to those of working age 40% (base 59) compared to 55% non-BME respondents (base 762). BME respondents were more likely to state that the council should use reserves to deal with the cuts (34%, base 59) compared to 15% non-BME respondents (base 762).
- There were no statistically significant variations to the overall response by gender or long standing health problem/disability.

3.1.16 Those in receipt of Council Tax Reduction were more likely to favour passing on the cuts to working age recipients (62%, base 281) than the general population (49%, base 568). The next two most selected options were to 'use reserves to deal with the cut in government grant' (17%, base 848) and 'increase Council Tax for all Council Tax payers' (15%, base 848).

**3.1.17 Question 1a - Do you think it is right to change the maximum amount of council tax reduction that may be awarded?**

3.1.18 Those who selected that cuts should be passed on to all those of working age and receipt of Council Tax Reduction in Question 1 were then asked a further question. Respondents were asked whether they thought it was right that the maximum reduction available should reduce from 75% to 65%. The base for this question is 451 respondents.

3.1.19 Overall 58% of all respondents agreed that the maximum reduction should decrease. Respondents from the general population (67%, base 279) were more likely to state that they thought it was right to reduce the maximum level and less likely amongst respondents who were in receipt of Council Tax Reduction (43%, base 173). Those in receipt of Council Tax Reduction were equally as likely to state that they did not think it was right to decrease the maximum reduction (40%, base 173). A high proportion of respondents stated they did not know (17%, base 173). There are no statistically significant variations to the overall response based upon age, ethnicity, gender or long standing health problem/disability.

**3.1.20 Question 2 - Do you think it is right that the earnings of an employed person should be attributed over the period they were earned?**

3.1.21 Respondents were then asked about aligning the rules for assessing earnings from employment to Council Tax Reduction, with those used by the Department for Work and Pensions when assessing housing benefit. This change will mean that average weekly earnings will be accounted for over the period they were earned.

3.1.22 All respondents were asked whether they thought it was right that the earnings of an employed person should be attributable over the period in which they were earned; 63% (base 839), of all respondents thought that this should be the case. Those in receipt of Council Tax Reduction were less likely to think it was right (53%, base 285) compared to the general population (69%, base 553). Respondents who were in receipt of Council Tax Reduction were more likely to state that they 'don't know' (28%) compared to the general population (19%).

- Those aged under 34 were less likely to think it was right (54%, base 284), with 30% of this age group stating that they 'did not know'. Those aged 55 to 74 were more likely to think it was right (72%, base 199).
- There were no statistically significant variations to the overall response by ethnicity, gender or long standing health problem/disability.

### 3.1.23 **Question 3 - Do you think it is right to extend the assistance available to people during their transition into work?**

3.1.24 Respondents were then asked about payments when a Council Tax Reduction recipient starts work. Currently where a customer is in receipt of certain benefits for a period of 26 weeks or more and then begins work they are entitled to receive extended payments of council tax reduction, for a period of up to 4 weeks. The Council is proposing to extend the extra assistance to 8 weeks to help customers in the transition to work.

3.1.25 All respondents (base 851) were asked whether they thought it was right to extend the assistance available to people during their transition into work; 63% of all respondents thought that assistance should be extended. Those in receipt of Council Tax Reduction were more likely to think it was right to extend the assistance (75%, base 284) compared to the general population (57%, base 567).

- Those who stated that they had a long standing health problem or disability were more likely to think it was right to extend the assistance (70%, base 275) compared to both the overall respondents and those without a long term health problem or disability (59%, base 528).
- There were no statistically significant variations to the overall response by age, ethnicity or gender.

## 3.2 Autumn Spending Review

3.2.1 The previous report to cabinet on 15 August highlighted a pressure of £350,000 arising from welfare reforms to tax credits announced by the Chancellor of the Exchequer in his Summer Budget statement. These measures have since been cancelled in the Autumn Spending Review.

3.2.2 The Chancellor of the Exchequer also announced in the Autumn Review that Councils would be given the flexibility to raise council tax in their area by up to 2% above the existing threshold for spend on adult social care. Were this to be introduced, the additional Council Tax raised would also reflect the impact of a £300,000 increase in the cost of the CTRS.

## 3.3 Diversity Impact Assessment

3.3.1 At the Council meeting on 22 January 2015 (decision 691b/2015) The Council instructed officers to carry out a new Diversity Impact Assessment (DIA) to determine the impact of the Local Council Tax Reduction Scheme alongside the scheme when it is next presented for approval in 2016.

3.3.2 Officers have already completed a DIA (attached at Appendix 7) but it is under constant review and will continue to be up to and after the Council meeting on 21 January 2016.

3.3.3 As part of the DIA process a Mosaic profiling of CTRS cases has been undertaken. Initial results show an over representation in the group considered to be a municipal challenge (hard to help) – with 4 in 5 CTR claimants within this group being of working age and a higher than average number being single. A total of 2,143 households in Medway fall into this category while around 55% are in receipt of CTR alone.

3.3.4 The majority of municipal challenge CTR claimants are within three wards – River, Strood South and Chatham Central and although there is little variation in gender they are more likely to be from diverse backgrounds with a lower than average number from an English background.

3.3.5 Any inequality issues arising from the CTRS can be mitigated through the use of Medway’s Council Tax Discretionary Relief (CTDR).

#### 4. Cabinet – 15 December 2015

4.1 The Cabinet considered this report on 15 December 2015 and recommended an amended Council Tax Reduction Scheme (CTRS) to Council for adoption on 21 January 2016 reducing the maximum discount from 75% to 65% and enhancing the extended payments period from four to eight weeks (decision no. 168/2015).

#### 5. Risk management

Risk	Description	Action to avoid or mitigate risk
Forecast cost of scheme falls short of estimate	Likelihood D (Low) Impact 3 (Marginal) Claimants may have reduced benefits ‘unnecessarily’	Use of data modelling tools and data analysis
Forecast cost of scheme excessive	Likelihood D (Low) Impact 2 (Critical)	Use of data modelling tools and data analysis
Effect on collection	Likelihood B (High) Impact 2 (Critical) Dependant on method of funding, but new scheme likely to produce small debts and debtors who have not had to pay before	Quick and efficient recovery processes

#### 6. Financial and legal implications

6.1 The Council is under a legal duty under Schedule 1A to the Local Government Finance Act 1992 to consider each year whether to revise its council tax reduction scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme, must

be made no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

- 6.2 The cost of the recommended CTRS in 2016/17 including a 3.99% increase in council tax (1.99% 'annual' increase plus 2.00% levy for social care) is estimated at £13.926m.
- 6.3 Since the introduction of CTRS in 2013/14 the Council has awarded hardship relief of £18,605 under its Council Tax Discretionary Relief (CTDR) scheme. £70,000 was set aside in 2013/14 (this was included when calculating the collection rate in setting the 2013/14 council tax). Increasing the contribution expected is likely to lead to an increase in hardship cases although it is not possible to quantify the amount at this point in time.
- 6.4 In accordance with decision 748/2014 the items identified at Appendix 1 have been amended within the scheme. In addition officers believe the uprated items identified at Appendix 2 will be confirmed by the issue of the Welfare Benefits Uprating Order by the end of January.
- 6.5 Amendments to the calculation of income have been made to mirror those prescribed in the regulations at Appendix 3.
- 6.6 A summary of the above changes is at Appendix 4, whilst the scheme inclusive of the above changes is at Appendix 5.
- 6.7 The council has carried out the necessary consultation in respect of the changes to the revised scheme.

## **7. Recommendation**

- 7.1 The Council is asked to approve a revised Council Tax Reduction Scheme as detailed at Appendix 5 to the report.

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### **Background Papers**

Additional comments, text from copies of letters and text from annotated forms received

<http://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?IId=15423&PlanId=238>

## **Appendices (see Supplementary Agenda No.1)**

Appendix 1 - The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015

Appendix 2 - Housing Benefit Circular, Housing Benefit: Uprating 2016 – 17

Appendix 3 - The Housing Benefit and Housing Benefit (Persons who have attained the qualifying age for state pension credit) (Income from earnings) (Amendment) Regulations 2015

Appendix 4 – Summary of changes to the Council Tax Reduction Scheme

Appendix 5 – Revised Council Tax Reduction Scheme

Appendix 6 – Survey questionnaire

Appendix 7 – Diversity Impact Assessment