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**Ask for:** Dave Shipton

**Date:** 10 August 2016

## **Local Council Tax Reduction Scheme Consultation**

This response is to the consultation about changes to your local council tax reduction (CTR) scheme. The response is on behalf of Kent County Council which is a statutory consultee on local schemes.

I would like to emphasise at the outset that KCC fully appreciates the close working relationship between district councils and major preceptors, and the efforts that districts make to maximise the council tax base and council tax collection. This excellent relationship and appreciation of district council efforts was noted at a recent meeting of KCC's Policy and Resources committee and once again I would like to formally endorse this.

We are disappointed that this consultation has not been set in the wider context of the financial challenge for local authorities. Responsibility for council tax support transferred from the Department for Work and Pensions (DWP) to local authorities. The initial transfer came in 2013 with a 10% reduction in funding which went into revenue support grant (RSG) and the baseline for the local share of business rates. The majority of the funding was transferred into RSG and has not been protected from the cuts since 2013 or further reductions planned for future years. Whilst the original schemes were financially neutral to compensate for the initial 10% reduction they have not kept pace with the further reductions in RSG. We would not necessarily expect continued financial neutrality to be feasible in light of the scale of RSG reductions, but we would expect more acknowledgement of the impact on other council services and council tax payers as part of the consultation on local reduction schemes. We have consistently made this point to Kent Finance Officers and are disappointed that consultation does not refer to this vitally important context.

We intend to make the same general response to each district covering the following issues:

- Possible protection for existing schemes
- Extent to which working age households should be asked to pay a greater share of council tax
- Changes in the calculation of qualifying income to determine council tax reductions
- Other adjustments to council tax reductions to reflect individual household circumstances
- Other possible changes to council tax outside reduction schemes
- Alternatives to reviewing CTR schemes

#### *Protection for Existing Schemes*

In light of the financial challenge to local authorities through RSG reductions we cannot support protecting existing schemes and some changes are needed to reduce the cost of council tax support discounts and/or increase the council tax base. Whilst KCC recognises that not protecting existing schemes could have an impact on some vulnerable households this should be compensated by making other adjustments to schemes rather than applying blanket protection. Schemes need to evolve to take account of changing circumstances and in particular the reality of on-going reductions in central government funding to local authorities.

#### *Reducing Council Tax Reduction Discounts*

KCC supports the principle of reducing CTR discounts although it is difficult to conclude precisely what % should apply. The changes in the funding arrangements mean there is no straightforward mathematical equation which can be applied along the same lines as the original 18.5%. However, in light of the scale of RSG reductions KCC would have liked to have seen some consideration of even lower CTR discounts as part of the consultation (particularly those authorities that have only consulted on a very small change of 1.5% in contribution). We feel that only proposing one slightly lower rate of discount limits the room for manoeuvre and could end up with even more districts in Kent offering different discount rates rather than the harmonisation of rates we were hoping for.

KCC recognises that reducing CTR discounts is the simplest response to on-going reductions in central government funding. Whilst the council recognises this will be an additional burden for households it is important that schemes are regularly reviewed to ensure they take into account the impact of the financial challenge arising from additional spending demands and reductions in central funding, and that all council tax payers are asked to make a reasonable contribution towards the cost of local services. KCC would like to see a more consistent approach adopted in all districts in Kent and that schemes bear a close resemblance to schemes elsewhere across the country. However, the council also recognises the need to keep schemes flexible to reflect local circumstances. KCC would like to see all Kent districts make progress towards arrangements which collectively increase the council tax base closer towards the implied central funding but recognises that a financially neutral equation is unlikely to be possible or desirable.

### *Changes to the Calculation of Qualifying Income*

The income of the main council tax payer (and their partner) is a key factor in determining which households qualify for CTR discount. KCC fully supports the proposals on a minimum income level for self-employed and the changes to Work-Related Activity in ESA. KCC would also support the principle of changing CTR schemes to be consistent with changes in housing benefit, Universal Credit and other welfare benefits in future. In particular the county council would not want to see a situation where CTR schemes offered additional council tax support as a result of government decisions to reduce or limit welfare benefits. The county council would like to see an automatic adjustment to schemes to ensure they are in line with welfare changes, through a trigger mechanism. If this is not a national condition (currently not) we would like to see this as a condition built into all Kent district schemes.

KCC rejects any inclusion of child benefit in household income for CTR schemes. Including child benefit as household income would be contrary to the council's strategic objectives to help children and young people to get the best start in life and to help vulnerable residents. KCC would support more research being undertaken into the impact of including child maintenance in household income. In particular the council can see some merit in exploring including higher levels of child maintenance above a reasonable threshold, provided this does not act as a perverse incentive to reduce or restrict child maintenance awards/agreements. KCC does not agree that child maintenance be included until this research has been fully evaluated.

### *Other Adjustments to the Calculation of CTR Discounts*

This is undoubtedly the most complex area of CTR schemes. We believe these adjustments can best be summarised under 4 main categories:

- Allowances for dependent children and other non-dependent adults
- Allowances for exceptional hardship and household savings
- Capping CTR discounts
- Other adjustments

### Dependent Children and Non-Dependent Adults

Currently there are two adjustments made to CTR discounts based on increasing the discount through an addition for dependent children. The first is the addition of a Family Premium for all households with one or more children other than those whose sole income comes from welfare benefits (Universal Credit, Income Support, JSA, ESA). Most districts are considering whether this premium should be removed to bring CTR into line with housing benefit calculations. The second adjustment relates to families whose sole income is from welfare benefits. Currently household income for these families is effectively increased by £66.90 per dependent child. Most districts are considering capping this addition to a maximum of two children. This would bring CTR schemes in line with housing benefit, Universal Credit and tax credits as announced in the Chancellor's summer 2015 Budget.

KCC's supports the proposals on changes to Family Premium and Dependent Children adjustments. We fully support the principle of changing CTR schemes to be consistent with changes in housing benefit, Universal Credit and other welfare benefits. Although these changes would on the face of it be contrary to the county council's strategic priorities the council believes that the overriding factor is consistency with other welfare benefit changes. This alignment with other welfare benefits should be consistent in all Kent district schemes.

Currently an adjustment is made for other non-dependent adults in the household based on individual circumstances (those earning income but not liable to pay the council tax or their partner). These adjustments can reduce CTR discounts by up to £11.45 a week. Most districts are considering introducing a standard adjustment for all non-dependent adults irrespective of individual circumstances. These deductions range for £10 a week to £15 a week in individual districts.

KCC fully supports standardising deductions for non-dependent adults. This would make schemes simpler and cheaper to administer as well as reducing the impact of CTR discounts on the tax base. We would like to see more authorities consider a higher standard rate than the current £11.45 a week although we recognise some differences may be necessary to reflect local circumstances in individual districts.

#### Allowances for Exceptional Hardship and Household Savings

133 authorities (out of a total of 285 authorities which have introduced local CTR schemes) operate a hardship fund. Currently none of the Kent districts offer such a scheme. We do not have any information how these schemes operate, how much they cost, nor how many households receive additional assistance. Most Kent districts are considering whether they should adopt hardship scheme. Once again we have no detail of what sort of schemes they are considering. In particular districts have not identified a value for a fund (and whether it would be capped), or how it would be funded e.g. would it be offset against tax base/collection fund or would it be part of the district's general fund.

KCC supports the principle of a hardship fund to help families that face exceptional financial difficulties. However, we would need to see further proposals from districts over how such a scheme would operate e.g. which circumstances would trigger support, how the scheme would be funded, and financial modelling of the number of households which may receive financial assistance, before we could agree to the inclusion of any scheme. In particular we would like to see how beneficiaries would be supported to address their financial difficulties so that they do not need further support or default on future council tax demands. Until we have sight of these details it is difficult to make a definitive response to the consultation.

Currently households with savings and investments in excess of £16,000 cannot qualify for any CTR discount. This is consistent with other welfare benefits. 86 authorities (out of 285) have reduced this threshold to £10,000 or £6,000. Most Kent districts are considering making a similar reduction to the savings threshold. KCC supports reducing the savings threshold and accepts that reducing the savings/investment threshold would not present a significant risk of causing financial hardship.

#### Capping CTR Discounts

85 authorities (out of 285) currently apply a cap on CTR discounts. These limit the discount on higher banded properties to the amount that a band C or band D property would receive. Most Kent districts are considering introducing capping discounts to the band D amount.

KCC supports capping CTR discounts but proposes that the cap should generally be applied to all properties above band C. Band C is the most common band in Kent and in most districts the majority of properties are band C or lower. We accept that a higher band D cap should only apply in those districts where less than half the properties are band C or lower i.e. Maidstone, Sevenoaks, Tonbridge & Malling and Tunbridge Wells. Similarly in any district where the majority of properties are band B or lower we think the cap should apply at band B.

#### Other Adjustments

This includes the length of time claims can be backdated for a change in household circumstances (proposals would reduce this from 6 months to 1 month), time limits on temporary absence from homes without affecting CTR discounts (housing benefit has now been changed so that if a person is absent from Great Britain for more than 4 weeks their benefit ceases), and limits on claimants from the European Economic Area who are not habitually Great Britain residents but in receipt of jobseekers allowance.

KCC supports proposals to make changes to these other adjustments particularly where they bring arrangements in line with other welfare benefits. As already indicated KCC supports the principle of bringing CTR schemes into line with housing benefit and other welfare reforms. We would like to schemes include an automatic trigger to allow for future changes. We would like assurances that district councils would be able to cope with the increased workload should reducing the backdating period result in claims being submitted more promptly.

#### *Other Changes to Council Tax Arrangements Outside CTR Schemes*

The second most common change made to council tax in other authorities (after reducing the discount for working age households) is to remove the second adult rebate. This is a discretionary reduction to council tax where a second adult (not the main council tax payer or their partner) lives in the house and is in receipt of welfare benefits or on a low income. All districts are considering abolishing the rebate. KCC's supports abolishing this rebate in all districts.

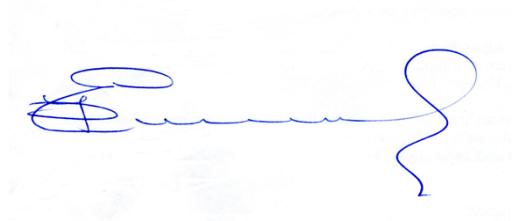
As part of the original CTR schemes all Kent districts agreed to make some reduction in empty property discounts (including second homes). Some abolished the discounts altogether. Further reductions in empty property discounts would continue to be outside CTR schemes (and thus not included in district consultation on their CTR schemes). Nonetheless, KCC would like to take this opportunity to reaffirm its position that we support removing empty property discounts entirely (on the basis that owners of empty properties can generally more easily afford council tax and to act as incentive to bring properties back into use) as a higher priority to responding to RSG reductions than any changes to CTR schemes (albeit we believe empty property discounts and CTR schemes both need to be reviewed).

*Alternatives to Reviewing CTR Schemes*

Generally we feel that these sections in the consultation are poor. In particular the alternatives of increasing council tax or reducing council spending do not include any mention of referendum requirements (in the case of the former) or savings already needed to be considered in councils' budget plans. Whilst it is inevitable that CTR discounts for working age households will need to be subsidised by other council tax payers as RSG is removed this has not been mentioned in the alternatives. We feel this is an oversight in the consultation although accept it can be deduced relatively easily.

I hope you find this response helpful. In conclusion we would be looking for CTR schemes to be consistent with the county council's priorities to support the most vulnerable and give children the best possible start in life but also act help to incentivise individuals into work to help grow the Kent economy. We recognise that at the same time schemes must reflect the financial necessities being placed on local government and inevitably this complex mix can result in some conflicting consequences.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Simmonds', with a large, stylized flourish at the end.

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