

SCRUTINY COMMITTEE

Thursday, 10th April, 2025

10.30 am

**Council Chamber, Sessions House, County
Hall, Maidstone**





AGENDA

SCRUTINY COMMITTEE

Thursday, 10th April, 2025, at 10.30 am
Council Chamber, Sessions House, County Hall,
Maidstone

Ask for: **Anna Taylor**
Telephone: **03000 416478**

Membership

- Conservative (10): Mr A Booth (Chairman), Mr P V Barrington-King (Vice-Chairman), Mrs R Binks, Mr T Bond, Mr D L Brazier, Mrs L Game, Mrs S Prendergast, Mr O Richardson and Mr S Webb
- Labour (1): Mr A Brady
- Liberal Democrat (1): Mr A J Hook
- Green and Independent (1): Rich Lehmann
- Independent: Mr M Whiting
- Church Representatives (3): Mr J Constanti, Mr M Reidy and Mr Q Roper
- Parent Governor (2): Ms R Ainslie-Malik and Ms H Carter

County Councillors who are not Members of the Committee but who wish to ask questions at the meeting are asked to notify the Chairman of their questions in advance.

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

A - Committee Business

A1 Introduction/Webcast Announcement

A2 Membership

To note that Rich Lehmann has replaced Jenni Hawkins on the Committee.

A3 Apologies and Substitutes

A4 Declarations of Interests by Members in items on the Agenda for this Meeting

B - Any items called-in

B1 Call-in of Decision 25/00004 - Council Tax Collection Subsidies and Incentives
(Pages 1 - 26)

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 2 April 2025

By: Anna Taylor, Assistant Democratic Services Manager

To: Scrutiny Committee, 10 April 2025

Subject: **Call-in of Decision 25/00004 - Council Tax Collection Subsidies and Incentives**

Summary: This decision, taken on 21 March 2025, has been called-in to the Scrutiny Committee by Mr Rich Lehmann and Mr Alister Brady.

Background

1. Decision 25/00004 - Council Tax Collection Subsidies and Incentives was considered by the [Policy and Resources Cabinet Committee on Wednesday, 5th March, 2025](#) prior to the decision being taken by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services on 19 March 2025. In addition, the provisional plans around the decision were outlined in Budget development papers considered by the Cabinet Committee in November and January.
2. Following the decision being taken, the call-in request was submitted by Mr Lehmann (Green & Independent Group) and Mr Brady (Labour Group), thus meeting the requirement for any call-in to be requested by two Members from different political groups.
3. The call-in was duly assessed by Democratic Services, including a review of the reasons given by those Members calling in the decision and an investigation into whether any issues raised in the call-in were adequately addressed by the decision paperwork, committee reports, responses to written questions or committee debate. The results of this review were considered by the Democratic Services Manager and the call-in was determined to be valid under the call-in arrangements set out in the Constitution. Call-in reasons must be clear, correct and align to one or more of the following criteria under s17.67 of the Constitution:

Members can call-in a decision for one or more of the following reasons:

- (a) The decision is not in line with the Council's Policy Framework,
 - (b) The decision is not in accordance with the Council's Budget,
 - (c) The decision was not taken in accordance with the principles of decision making set out in 8.5, and/or
 - (d) The decision was not taken in accordance with the arrangements set out in Section 12.
4. The full call-in request is set out in Appendix A, submitted by Mr Lehmann and Mr Brady. While not all aspects of the call-in were considered valid, particular points set out within the call-in that meet the relevant criteria are highlighted below:

Reason for calling in the decision: The decision was not taken in accordance with the principles of decision-making set out in 8.5(d) a presumption in favour of openness.

In considering this decision the role of the Cabinet Committee was to allow Members to consider, endorse or make recommendations to the Cabinet Member in advance of the decision being taken. At the Cabinet Committee it was repeatedly asserted that the decision had already been taken by Full Council and taking it to the Cabinet Committee was a formality. The Cabinet Committee was the opportunity for Members to discuss and comment on the decision.

As a result of the above, the lack of meaningful and appropriate consideration by Cabinet Committee means that this decision can be argued to have been taken not in line with principles of decision-making or the decision-making process as set out in section 12 of the Constitution.

Also in contravention of paragraph 8.5(d), the committee was not given enough information regarding the potential impact of this decision, such as the fact that the report in the agenda which went to the Policy and Resources Cabinet Committee meeting did not fully outline the level of risk (£30m) which was included in the budget papers.

Whilst this element on its own would not be sufficient to call-in a decision, given that the information has been considered elsewhere in public documents, it would be a reasonable line of enquiry in relation to this decision as part of any Scrutiny consideration as it may be relevant to the potential Cabinet Committee recommendations or comments which were not explored as far as they could have been.

Process

5. As set out in the call-in procedure, Democratic Services must consider all call-in requests against the criteria detailed in the constitution, which are themselves based on the legal requirements under the Local Government Act 2000 to have an appropriate mechanism to allow Executive decisions to be scrutinised. In determining the validity of any call-in, no judgement is made by Democratic Services as to whether the decision itself is flawed, inappropriate or invalid. Similarly, where some individual reasons submitted for an overall valid call-in are not assessed as valid, this does not mean they merit no consideration as part of any subsequent call-in meeting. Paragraph 4 of this report does not indicate endorsement of or agreement with the challenges made in the call-in – this report only confirms that the points set out in the call-in are relevant and valid and that there remain elements that merit further consideration or clarification. In accordance with the call-in arrangements, it is therefore for Members, via the Scrutiny Committee, to determine whether any reconsideration of the decision is necessary and appropriate.

6. The Cabinet Member, or nominated representative, and relevant Officers will attend the Scrutiny Committee to present their response to the call-in and to respond to questions.
7. The Scrutiny Committee should consider the reasons set out by the Members calling-in the decision, the documentation available and the response from the Executive given at the meeting, giving due regard to the information made available during questioning and discussion on this item.
8. The decision papers remain available online here: [Decision - 25/00004 - Council Tax Collection Subsidies and Incentives](#) but are republished in the agenda pack as appendices for ease of reference.

Recommendation – Options for the Scrutiny Committee

The Scrutiny Committee may:

- a) make no comments
 - b) express comments but not require reconsideration of the decision
 - c) require implementation of the decision to be postponed pending reconsideration of the matter by the decision-maker in light of the Committee's comments; or
 - d) require implementation of the decision to be postponed pending review or scrutiny of the matter by the full Council.
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Appendices

- a) Scrutiny call-in reasons submitted by Mr Rich Lehmann and Mr Alister Brady.
- b) [25-00004 - Record of Decision](#)
- c) [25-00004 - Decision Report](#)
- d) [25-00004 - EqlA](#)

Background documents

- a) [Agenda for Policy and Resources Cabinet Committee on Wednesday, 5th March, 2025, 10.00 am](#)
- b) [Agenda for County Council on Thursday, 13th February, 2025, 9.30 am](#)

Contact Details

Anna Taylor, Assistant Democratic Services Manager
anna.taylor@kent.gov.uk 03000 416478

Call-in Request for Executive Decision 25/00004 – Council Tax Collection Subsidies and Incentives

Call request submitted by: Mr Rich Lehmann & Mr Alister Brady

Reason for calling in the decision: The decision was not taken in accordance with the principles of decision-making set out in 8.5(d) a presumption in favour of openness.

During the debating of this item at the Policy and Resources Cabinet Committee meeting on 5th March 2025, the Cabinet Member for Finance, Corporate and Traded Services repeatedly stated that the decision 'had already been made by Full Council' and also asserted that bringing it to the Committee was a 'formality'.

After the accuracy of this statement was questioned by members of the committee, the monitoring officer confirmed that the decision had not yet been taken. Shortly after this, the Cabinet Member continued to state the decision had been taken, giving the appearance of trying to shut down further scrutiny of the decision by the committee.

One member of the committee put forward a recommendation to consider an alternative which had the potential to reduce the council's financial risk attached to the decision. Despite this recommendation being seconded, the member was asked by the chair of the meeting to withdraw the recommendation. This was in contravention of the recommendation in the report on this item in the meeting's agenda, and we believe it was also in contravention of 8.5(d) of the constitution.

Also in contravention of paragraph 8.5(d), the committee was not given enough information regarding the potential impact of this decision, such as the fact that the report in the agenda which went to the Policy and Resources Cabinet Committee meeting did not fully outline the level of risk (£30m) which was included in the budget papers.

Desired outcome of this call-in:

We request that the Scrutiny Committee recommends that the implementation of the decision to be postponed pending review or scrutiny of the matter by the full Council.

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KENT COUNTY COUNCIL – RECORD OF DECISION

DECISION TAKEN BY:

Peter Oakford

Deputy Leader and Cabinet Member for Finance, Corporate
and Traded Services

DECISION NUMBER:

25/00004

For publication *[Do not include information which is exempt from publication under schedule 12a of the Local Government Act 1972]*

Key decision: YES / NO

Key decision criteria. The decision will:

- a) *result in savings or expenditure which is significant having regard to the budget for the service or function (currently defined by the Council as in excess of £1,000,000); or*
- b) *be significant in terms of its effects on a significant proportion of the community living or working within two or more electoral divisions)*

Subject Matter / Title of Decision

Council Tax Collection Subsidies and Incentives

Decision:

As Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, I agree to:

- (a) Cease the current arrangement with Billing Authorities pursuant to which the Council provides financial support and incentive payments towards the cost of setting up and administering local Council Tax Reduction Schemes (CTRS) with effect from 1st April 2025.
- (b) Cease the current arrangements with Billing Authorities pursuant to which the Council makes incentive payments to support removal of discretionary empty property discounts and charge empty property premiums with effect from 1st April 2025.
- (c) Delegate authority to the Interim Corporate Director Finance to formally notify the Billing Authorities that payments will cease from 2025-26 financial year and to take any actions or make any decisions deemed necessary to the Interim Corporate Director Finance to implement the decisions of the Cabinet Member for Finance, Corporate and Traded Services in (a) and (b) above.

Reason(s) for decision:

The subsidies and incentives the Council currently offers to Billing Authorities towards the costs of council tax collection are long standing but entirely discretionary, and as far as we can ascertain unique to Kent. The Council has a requirement to find £19.8m savings to replace one-off solutions used to balance the 2024-25 budget in accordance with Objective 3 (Policy choices and scope of Council's ambitions) set out in Securing Kent's Future. Removing these subsidies and incentives is consistent with the policy consideration to review all (cross) subsidies where there is no statutory requirement (duty) to provide support.

Ceasing these arrangements will not alter either the statutory obligation on individuals to pay council tax or the duty on Billing Authorities to bill and collect council tax. In ceasing these arrangements the Council is aware of the potential risk of loss of council tax income through under collection and/or increased discounts/reduced premiums. The Council believes these risks are potential and not

inevitable and in the short-term can be mitigated from an established smoothing reserve to deal with fluctuations in collection levels.

Financial Implications

The annual saving to the Council from ceasing the subsidy and incentive on local CTRS is £1,746.7k based on 2024-25 approved budget. The annual saving to the Council from ceasing the empty property incentive is £1,450k based on 2024-25 budget.

A 1% reduction in collection rates across all 12 Billing Authorities would result in £9.5m to £9.8m reduction in the Council's share of council tax (with proportionate reductions in other preceptors and Billing Authority shares). Actual losses from collection will not be confirmed until annual accounts have been closed and audited. The Council will continue to manage fluctuations in collection through a smoothing reserve set up specifically for this purpose. The Council's annual council tax precept must be set based on tax base estimates calculated by each Billing Authority. The deadline for notifying these estimates is 31st January prior to the start of each financial year. The Council must notify the Billing Authorities of its council tax precept by the end of February.

Legal Implications

The Council is not under a duty to provide the subsidies and incentives that it is proposing in this report to end. The Council can therefore cease the payments in accordance with its functions. The obligation on individuals to pay their council tax, and the obligation placed on Billing Authorities to collect to council tax remain.

Equalities implications

No equalities implications identified as this decision does not directly impact on individuals with protected characteristics.

Cabinet Committee recommendations and other consultation:

Policy & Resources Cabinet Committees was consulted on 5th March 2025.

Any alternatives considered and rejected:

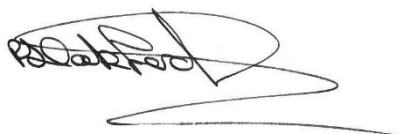
Maintaining current arrangements

- Transitional arrangement for phased removal of subsidies / incentives

Further information regarding consideration of alternatives is available in the report.

Any interest declared when the decision was taken and any dispensation granted by the Proper Officer:

N/A



.....
signed

19th March 2025

.....
Date

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From: John Betts, Interim Corporate Director Finance

To: Peter Oakford, Deputy Leader and Cabinet Member for Finance,
Corporate & Traded Services

Subject: Council Tax Collection Subsidies and Incentives

Decision no: 25/00004

Key Decision : Affecting more than 2 Electoral Divisions
Expenditure and savings of more than £1m

Classification: Unrestricted

Past Pathway of report: Policy & Resources Cabinet Committee 27th November 2024
Policy & Resources Cabinet Committee 5th March 2025

Future Pathway of report: Cabinet Member Decision

Electoral Division: All

Is the decision eligible for call-in? Yes

Summary: This report makes recommendations further to the requirement to deliver policy savings in the 2025-26 revenue budget to replace the use of one-off solutions used to balance 2024-25 revenue budget. The report outlines the history of the long-standing subsidies and incentives provided to district/borough/city councils as the billing authorities for council tax. The report recommends ceasing certain subsidies and incentives to facilitate the tax collection authorities ("Billing Authorities") discharging their statutory functions as this is no longer tenable and the Council has to focus on its own statutory services.

Recommendation(s):

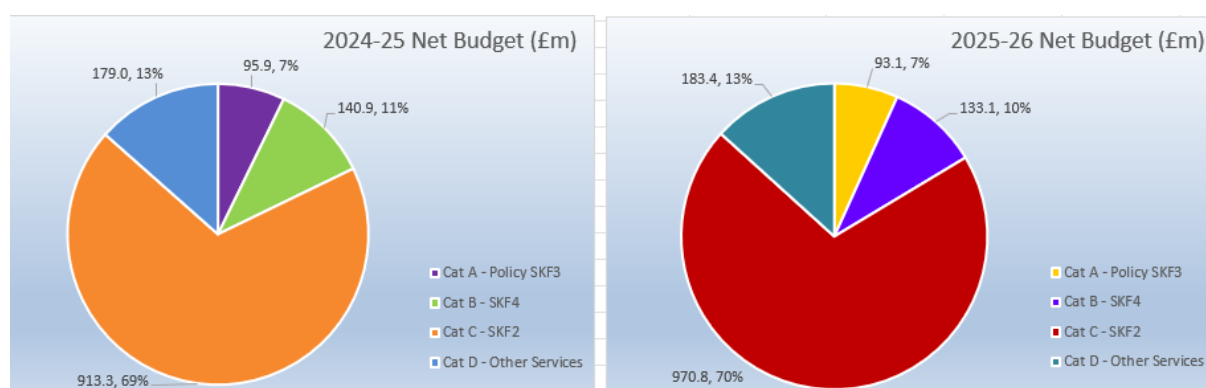
That the Cabinet Member for Finance, Corporate and Traded Services agree to:

- (a) Cease the current arrangement with the Billing Authorities pursuant to which the Council provides financial support and incentive payments towards the cost of setting up and administering local Council Tax Reduction Schemes (CTRS) with effect on and from 1st April 2025.
- (b) Cease the current arrangements with the Billing Authorities pursuant to which the Council makes incentive payments to support the removal of local discretionary empty property discounts and the charging of empty property premiums with effect from 1st April 2025.

- (c) Delegate authority to Interim Corporate Director Finance to formally notify the Billing Authorities that payments will cease from 2025-26 financial year and to take any actions or make any decisions deemed necessary to the Interim Corporate Director Finance to implement the decisions of the Cabinet Member for Finance, Corporate and Traded Services in (a) and (b) above.

1. Introduction

- 1.1 The approved revenue budget for 2024-25 included £19.8m of one-off solutions from use of capital receipts, use of reserves and the final year of New Homes Bonus Grant. The budget setting report to the Council made it clear that the package of one-off solutions in 2024-25 needed to be replaced with equivalent, ongoing savings in 2025-26 and 2026-27. The details of these savings were still under development at the time the 2024-25 budget was approved and the report identified that all that was required for Council approval of the 2024-25 budget was confirmation of the principle that any recurring costs funded from one-off sources in 2024-25 must be replaced through ongoing savings and income in subsequent years.
- 1.2 The final 2024-25 budget set out the clear expectation that these £19.8m of policy savings would have to be found in accordance with Objective 3(Policy choices and scope of Council's ambitions) set out in Securing Kent's Future. Consequently, it has been essential that all areas of discretionary spending are reviewed and considered for savings.
- 1.3 To assist this process of considering savings a breakdown of the 2024-25 budget and planned amounts for 2025-26 and 2026-27 was prepared across four categories. These categories comprised the totality of the Council's budget (excluding non-attributable costs and centrally held budgets) as demonstrated in the graphic below:
- Category A - spending where there is most scope for local decisions. This includes discretionary services, services where there is a mix of statutory requirements and discretion, and statutory services where there is a significant degree of choice over the level of services provision.
 - Category B - support functions.
 - Category C - spending on adult social care, children in care, home to school transport.
 - Category D - other services (largely statutory with less choice over level of service provision).



- 1.4 In considering savings from spending in category A it was identified whether there was a binary choice whether to spend or not, those services where there was a range of options to review, or whether spending was considered too low to warrant consideration/was out of scope. Spending within the first two sub-categories was then tested against the following policy considerations:
- Whether the Council should limit spending on grant funded activities to the amount available within the grant conditions with no discretionary top-ups
 - Whether the Council should seek full cost recovery from clients/service users of discretionary services
 - Whether spending is on (niche) services which are visible/accessible/benefit a small number of the Kent population
 - Whether the Council is willing to remove or reduce (cross) subsidies where there is no requirement (duty) to provide support
- 1.5 The totality of spending (£3.75m net to KCC in 2024-25 budget) on the current arrangements for subsidies and incentives on council tax collection (including Council Tax Reduction Schemes (CTRS) and empty property discounts), and joint work on fraud and error comes is Category A spending and has been reviewed as part of this programme against the policy considerations – specifically the final one.
- 1.6 Spending on joint fraud and error activities across all 12 districts, and spending to subsidise the pursuit of outstanding debts in 3 East Kent districts (only the 3 districts are subsidised) provided returns on investment of over 400% per annum and therefore this report does not recommend making any savings from this expenditure.
- 1.7 There was not the same evidence for the spending on subsidising and incentivising Billing Authorities for local CTRS or incentives to reduce/remove empty property discounts/charge premiums on long-term empty properties. Consequently, spending on these activities (£1.75m net 2024-25 budget) for CTRS support and incentives and (£1.45m net 2024-25 budget) for empty properties was put forward for member consideration as part of formulating draft budget proposals. After full consideration proposed savings from ceasing these payments in 2025-26 were included in the administration's draft 2025-26 budget proposals published on 29th October 2024 and final budget proposals approved by full Council on 13th February 2025. Following approval of the budget it is then necessary for the key decisions recommended in this report to be made in order to achieve the budgeted savings.
- 1.8 Leaders, Chief Executives and Chief Finance Officers of each of the district/borough/city councils (who are the billing authorities for council tax) (the Billing Authorities) have been informed at an early stage in the current financial year of the requirement for KCC to make £19.8m policy savings to replace one-offs in 2024-25 budget, and that these activities relating to council tax collection subsidies and incentives fell within the scope of those considerations. The Billing Authorities response was that if the subsidies and incentives were removed they would have to review working age CTRS and empty property discounts/premiums especially where these result in council tax charges that are not cost effective for the district to collect from their share of council tax. To date no Billing Authority has proposed or implemented any changes to discounts or premiums.

2. Key Considerations

- 2.1 As outlined in the introduction the Council has reviewed all spending on (cross) subsidies where there is no statutory requirement (duty) to provide support. This review is not limited to the support provided to the Billing Authorities towards their statutory obligations and reviews have taken place in other areas including support for schools, health authorities and the voluntary sector.
- 2.2 The key considerations for this particular decision included the potential impact on the council tax precept if Billing Authorities chose to reduce the size of collection teams, with a consequential impact on council tax collection rates. Consideration was also given to the impact should Billing Authorities choose to change local CTRS and/or reinstate council tax discounts or cease premiums.
- 2.3 In respect of the size of collection teams/council tax collection rates, there is a statutory obligation on individuals to pay council tax and the Billing Authorities are under a duty to levy and collect council tax. The section 151 officers and the monitoring officers of the Billing Authorities are also subject to their own duties (respectively) relating to the financial administration and legal compliance of their authority. Therefore, the potential impact on council tax collection rates is considered to be a matter for individual Billing Authorities to determine and justify through their own governance and compliance arrangements. See also paragraph 5 below for the financial implications and mitigation.
- 2.4 Whilst it is acknowledged that the vast majority of council tax is collected by the Billing Authorities on behalf of other authorities (including the Council) (the precepting authorities), any financial support by the Council towards collection is discretionary. Furthermore, collection costs are already deducted from council tax proceeds before they are distributed between precepting authorities and the Billing Authorities. This tension between collection and receipt of tax does not occur in unitary areas.
- 2.5 All Billing Authorities have simplified their local CTRS and moved to a banded approach. Under a banded scheme an individual household's discount does not change whilst household income remains within the band. This provides increased certainty for recipients and reduces assessment costs for the Billing Authorities. The Council has fully supported this move to banded arrangements even though up to this point there has been no change to financial support provided by the major preceptors. Effectively Billing Authorities have already benefitted from efficiency gains whilst still receiving subsidy from the Council.
- 2.6 The major precepting authorities have not required Billing Authorities to account separately for spending from the subsidy and incentive payments. Consequently, there is very little evidence how much it costs the Billing Authorities to operate local schemes. Up to 2022-23 the government also provided the Billing Authorities with a separate Localised Council Tax Support (LCTS) Administration Subsidy Grant. This was calculated annually based on caseloads. This LCTS grant was rolled into Revenue Support Grant in 2023-24, an indication that government now considers administration of local schemes to be a business as usual activity with no separate funding.

- 2.7 In conclusion, whilst there is there is an economic argument for providing increased support to low-income households this would still apply even if the Council removes the current subsidies and incentives. In setting local CTRS Billing Authorities will have to balance competing claims of securing their financial resilience through their own budgets with protecting residents in difficult financial circumstances through cost of living crisis. Billing Authorities have their own challenge through increased costs of and demand for their council services within limited resources available through local taxation referendum limits and central government grants which can only be balanced through a combination of cuts to other council services, raising income from other sources or increasing council tax income through reviewing local schemes.
- 2.8 There is also little evidence that removing empty property discounts adds a significant ongoing administrative burden on Billing Authorities. One of the benefits put forward by Billing Authorities for removing discounts was that it would avoid the requirement to assess whether a property is empty to qualify for the discount. Consequently, there is a strong argument that this incentive payment should have been time limited in the first place and is no longer required.
- 2.9 The original arrangement was on an understanding that it was reviewed on a three-year cycle. The first review was undertaken and implemented in 2017 (delayed a year from 2016 to allow schemes to be aligned with changes to other welfare benefits under the Welfare Reform and Work Act 2016). There has been no subsequent review as emphasis has switched to providing support during Covid-19 pandemic and Cost of Living challenge. Consequently, review of the arrangements is long overdue.

3. Background

Council Tax Reduction Schemes

- 3.1 Until 2013 households on low incomes could claim welfare benefits (up to 100% of council tax) towards their household council tax charge. These arrangements were transferred to local CTRS in April 2013 under provisions in the Local Government Finance Act 2012. Funding from council tax benefit (CTB) was transferred from Department for Work and Pensions (DWP) into the local government finance settlement and allocated to the Billing Authorities through the redistribution mechanism for retained share of business rates (business rate baseline) and Revenue Support Grant (RSG). These are shown in the settlement as Settlement Funding Assessment (SFA). The funding transferred came with an overall 10% reduction compared to the cost of CTB.
- 3.2 Each Billing Authority is responsible for developing local CTRS to provide low income households with a discount on council tax charges. The legislation required that schemes for pensioner households had to provide the same value discount as CTB entitlement. A default scheme for working age households also offered the same discounts as CTB, or Billing Authorities could consult on and agree their own local schemes for working age discounts (in consultation with major precepting authorities in two tier areas).
- 3.3 To support the introduction of local schemes in April 2013 it was agreed locally in Kent that a total of £1.5m payment would be made by the major precepting

authorities to the 12 Billing Authorities towards the cost of setting up and administering local schemes. The preceptor shares are split pro rata to respective council tax shares, and have been fixed at 2017-18 levels (excluding adult social care levy for KCC) since then i.e. 83.1% KCC, 11.5% Police and 5.4% Fire. The agreement was designed to ensure that local CTRS took account of the 10% reduction in funding and the overall impact was financially neutral for all authorities.

- 3.4 A standard Kent scheme was developed that provided a maximum 81.5% discount for eligible working age households on the minimum level of income, with a tapered reduction to the discount for incomes above the minimum. This provided an offset for the 10% reduction in funding. There were different minimum income levels depending on household circumstances e.g. single person, lone parent, couples with no children, couples with children. Individual Billing Authorities had the option to agree alternative local arrangements to the standard Kent scheme e.g. provide more generous working age discounts, provided the impact remained financially neutral with offsetting reductions to other discounts e.g. empty properties.
- 3.5 Originally the arrangement provided all Billing Authorities with a fixed sum of £125k. This was partly funded by Billing Authorities agreeing to reducing the class C empty property discount (empty and largely unfurnished dwellings) from 6 months to 3 months. This increased council tax proceeds for all authorities. The allocation to Billing Authorities was subsequently reformed from the start of 2017 to the current arrangements based on lower fixed sum of £70k and the balance of the £1.5m allocated according to number of eligible low income households (pensioner and working age). The overall amount provided has never subsequently been changed since introduction of the scheme in April 2013. The £1.5m payment was provided by all major precepting authorities pro rata to share of council tax (excluding the subsequent ASC levy for KCC).
- 3.6 The original intention was that these local arrangements would be reviewed on a three-year cycle. The first review due for 2016 was delayed a year to ensure that changes to local CTRS could be made to align them with other welfare reforms under the Welfare Reform and Work Act 2016. This review resulted in the Council agreeing an additional £500k incentive fund, taking the total value of subsidy and incentive payments to £2m. This was intended to encourage Billing Authorities to align schemes with other welfare reforms and to incentivise districts to reduce the working age discount (the standard scheme was amended to 80%) and change other criteria limiting access to discounts e.g. levels of household savings. These changes were partly in response to reductions in RSG since the original schemes were introduced which had affected the financial neutrality equation. District allocations from the incentive fund are calculated annually based on number of eligible working age households weighted according to the extent to which changes to local schemes impact the council tax base calculations.
- 3.7 The amounts paid through the preceptor support subsidy and additional KCC incentive for local CTRS in 2024-25 are set out below:

	Original CTRS Agreement					
District	Preceptor Support Subsidy	Police Share	Fire Share	KCC Share	Additional KCC Incentive	Total KCC
Ashford	£127,485	£14,679	£6,849	£105,957	£58,745	£164,702
Canterbury	£130,524	£15,028	£7,013	£108,483	£41,175	£149,658
Dartford	£112,527	£12,956	£6,046	£93,525	£40,528	£134,053
Dover	£148,431	£17,090	£7,975	£123,366	£51,179	£174,545
Folkestone	£130,283	£15,001	£7,000	£108,282	£46,920	£155,202
Gravesham	£113,783	£13,101	£6,113	£94,569	£27,335	£121,904
Maidstone	£131,526	£15,144	£7,066	£109,316	£45,529	£154,845
Sevenoaks	£108,290	£12,468	£5,818	£90,003	£31,354	£121,357
Swale	£131,012	£15,085	£7,039	£108,889	£62,325	£171,214
Thanet	£148,431	£17,090	£7,975	£123,366	£45,274	£168,640
TMBC	£112,559	£12,960	£6,047	£93,551	£25,650	£119,201
TWBC	£105,150	£12,107	£5,649	£87,393	£23,986	£111,379
Total	£1,500,000	£172,710	£80,590	£1,246,700	£500,000	£1,746,700

Empty Property Discounts and Premiums

- 3.8 Until 2013 there were mandatory exemptions on council tax for certain empty properties. These included class C exemption of 6 months on empty and largely unfurnished dwellings, and class D exemption of 12 months on properties undergoing major repairs or structural alterations. The previous mandatory 50% discount on second homes had been removed by earlier legislation in 2004 and Billing Authorities already had discretion to offer discounts between 10% to 50% on second homes. There was a long-standing agreement between the Council and the Billing Authorities to share the proceeds from reducing the discounts on second homes.
- 3.9 The Local Government Finance Act 2012 introduced additional discretions on council tax. This included removing the mandatory class C and class D exemptions and replacing these with discretionary power to grant discounts of between 0 to 100%. The Act also extended the discount on second homes to between 0% and 50% and introduced a discretionary power to raise 100% premium on properties empty for more than two years (effectively meaning 200% charge on such properties).
- 3.10 The Council encouraged the Billing Authorities to use these new powers to reduce empty property discounts and to levy premiums on long term empty properties. The policy objective was consistent with the Council's "No Use Empty" programme and was intended to encourage empty properties to be brought back into use. Building on the existing second homes arrangement the Council offered 25% of its share of the increased council tax base to those Billing Authorities that agreed to reduce empty property council tax discounts and/or introduce council tax premiums on long empty properties under the new powers (other than to those Billing Authorities which elected to change empty property discounts as part of variations from the standard approach to local CTRS).
- 3.11 At the time individual Billing Authorities adopted differing approaches with some continuing to offer discounts but for reduced periods and others removing all

empty property discounts. The amounts paid to individual Billing Authorities are largely historical based on the impact at the time discounts were reduced/removed and premiums levied. Each year Billing Authorities are asked whether they would like a roll-over of the previous year's payment or to provide latest information on numbers of dwellings being charged a premium/discounts removed and the council tax raised for the Council (excluding adult social care levy) to enable the subsidy to be recalculated. The previous second homes arrangement was ceased.

3.12 The premium on long term empty properties has subsequently been extended to allow discretion to raise additional premiums on properties empty for more than 5 years (200% premium taking the council tax charge to 300% of the standard rate) and more than 10 years (300% premium taking the council tax charge to 400% of the standard rate). In 2024 the power was extended to levy premiums on properties empty for more than one year. All Kent Billing Authorities used the powers to raise these long term empty premiums and by 2024 all authorities had removed all empty property discounts. In 2025 new powers come into force that allow up to 100% premium to be levied on second homes (taking the council tax to 200% of the standard charge).

3.13 The amounts paid under the empty property incentive in 2023-24 are set out below (the budget for 2024-25 was increased following the agreement with all Billing Authorities to remove all remaining empty discounts and maximise premiums although details of 2024-25 payments are still to be finalised awaiting confirmation from the Billing Authorities of the council tax raised for the Council):

Dartford	£109,550
Folkestone & Hythe	£152,861
Gravesham	£46,030
Maidstone	£100,009
Sevenoaks	£95,550
Tonbridge & Malling	£209,503
Tunbridge Wells	£109,780

4. Options considered and dismissed, and associated risk

4.1 Maintaining the current arrangements is not considered sustainable in the current financial climate with the urgent need for the Council to focus on its statutory responsibilities and consequential requirement to review policy choices and scope of the Council's ambitions. Reducing the amount was not considered as an option as this was identified as a binary choice whether or not the Council should continue to cross subsidise statutory functions of Billing Authorities. As set out in paragraphs 2.2 to 2.7 this poses a potential risk to future council tax income, but it is suggested that this is a potential risk rather than inevitable consequence. The decision does not alter either the statutory obligation on individuals to pay council tax or the duty on the Billing Authorities to levy and collect council tax. Ceasing these payments is consistent with the policy consideration to review (cross) subsidies where there is no statutory requirement to provide support. The Council is not aware of similar subsidies and incentives towards the cost of council tax collection in other two tier areas.

- 4.2 A transitional arrangement which would allow for the phased removal of the two subsidies/incentives, with the empty property agreement ceased in April 2025 and local CTRS agreement ceased from April 2026, has been considered. This option is not recommended on the grounds that it would reduce the potential savings that could be achieved against the targets required for 2025-26 (increasing the amount that would need to be found from other alternatives or one-offs) and would run counter to the policy consideration to remove (cross) subsidies where there is no statutory requirement to provide support.
- 4.3 The Council intends to continue to contribute towards the costs of fraud and error activities which increase the amounts of council tax received and additional support towards the recovery of debt in those areas where council tax is proving most difficult to collect in 3 East Kent districts, provided these continue to show a positive return on investment.

5. Financial Implications

- 5.1 The annual saving to the Council from ceasing the subsidy and incentive on local CTRS is £1,746.7k based on 2024-25 approved budget. The annual saving to the Council from ceasing the empty property incentive is £1,450k based on 2024-25 budget.
- 5.2 A 1% reduction in collection rates across all 12 Billing Authorities would result in £9.5m to £9.8m reduction in the Council's share of council tax (with proportionate reductions in other preceptors and Billing Authority shares). Actual losses from collection will not be confirmed until annual accounts have been closed and audited. The Council will continue to manage fluctuations in collection through a smoothing reserve set up specifically for this purpose. The Council's annual council tax precept must be set based on tax base estimates calculated by each Billing Authority. The deadline for notifying these estimates is 31st January prior to the start of each financial year. The Council must notify the Billing Authorities of its council tax precept by the end of February.
- 5.3 It is estimated that if the cessation of the local CTRS subsidy and incentive led to Billing Authorities reverting to the default scheme for working age households this would increase council tax discounts for the major preceptors by £14.6m, £12m of which would be the Council share. There would be an appropriate pro rata increase in the discounts on the Billing Authority share. Changes to CTRS schemes are subject to statutory consultation and must be agreed and implemented by 11th March prior to start of financial year. Re-instating empty property discounts and/or removing empty property premiums would also reduce the share of council tax for all councils (preceptors and billing authorities) although the impact is more difficult to estimate as it depends on the number of empty properties at any point in time.

6. Legal implications

- 6.1 The Council is not under a duty to provide the subsidies and incentives that it is proposing in this report to end. The Council can therefore cease the payments in accordance with its functions.
- 6.2 The obligation on individuals to pay their council tax, and the obligation placed on Billing Authorities to collect to council tax remain.
- 6.3 The subsidies and incentives have been paid pursuant to informal arrangements between the Council and the Billing Authorities. There is no formal agreement that commits the Council to continue the payments beyond this financial year and the Council has not made any other express or implied commitment or given any assurance to the Billing Authorities that any payment would continue beyond this financial year.
- 6.4 The Council has consulted on the savings identified through the budget setting process and has engaged specifically with the Billing Authorities on the removal of these payments with the outcome of those consultations taken into account in preparing this report and summarised.

7. Equalities implications

- 7.1 No equalities implications identified as this decision does not directly impact on individuals with protected characteristics.

8. Data Protection Implications

- 8.1 No data protection impact identified.

9. Other corporate implications

- 9.1 No overlap with other functions of the Council

10. Governance

- 10.1 No additional delegations required other than to delegate authority to Interim Corporate Director Finance as per the recommendations in this report.

11. Conclusions

- 11.1 The subsidies and incentives the Council currently offers to Billing Authorities towards the costs of council tax collection are long standing but entirely discretionary, and as far as we can ascertain unique to Kent. The Council has a requirement to find £19.8m savings to replace one-off solutions used to balance the 2024-25 budget in accordance with Objective 3 (Policy choices and scope of Council's ambitions) set out in Securing Kent's Future. Removing these

subsidies and incentives is consistent with the policy consideration to review all (cross) subsidies where there is no statutory requirement (duty) to provide support.

- 11.2 Ceasing these arrangements will not alter either the statutory obligation on individuals to pay council tax or the duty on Billing Authorities to bill and collect council tax. In ceasing these arrangements the Council is aware of the potential risk of loss of council tax income through under collection and/or increased discounts/reduced premiums. The Council believes these risks are potential and not inevitable and in the short-term can be mitigated from an established smoothing reserve to deal with fluctuations in collection levels.

Recommendation(s):

That the Cabinet Member for Finance, Corporate and Traded Services agrees to:

- (a) Cease the current arrangement with the Billing Authorities pursuant to which the Council provides financial support and incentive payments towards the cost of setting up and administering local Council Tax Reduction Schemes (CTRS) with effect on and from 1st April 2025.
 - (b) Cease the current arrangements with the Billing Authorities pursuant to which the Council makes incentive payments to support the removal of local discretionary empty property discounts and the charging of empty property premiums with effect from 1st April 2025.
 - (c) Delegate authority to Interim Corporate Director Finance to formally notify the Billing Authorities that payments will cease from 2025-26 financial year and to take any actions or make any decisions deemed necessary to the Interim Corporate Director Finance to implement the decisions of the Cabinet Member for Finance, Corporate and Traded Services in (a) and (b) above.
-

10. Contact details

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EQIA Submission – ID Number

Section A

EQIA Title

Council Tax Collection Subsidies and Incentives

Responsible Officer

Dave Shipton - CED F

Approved by (Note: approval of this EqIA must be completed within the EqIA App)

Dave Shipton - CED F

Type of Activity

Service Change

Service Change

Service Redesign

No

Project/Programme

No

Commissioning/Procurement

No

Strategy/Policy

Strategy/Policy

Details of other Service Activity

No

Accountability and Responsibility

Directorate

Strategic and Corporate Services

Responsible Service

Finance

Responsible Head of Service

Dave Shipton - CED F

Responsible Director

John Betts - CED F

Aims and Objectives

The approved revenue budget for 2024-25 included £19.8m of one-off solutions from use of capital receipts, use of reserves and the final year of New Homes Bonus Grant. The budget setting report to the Council made it clear that the package of one-off solutions in 2024-25 needed to be replaced with equivalent, ongoing savings in 2025-26 and 2026-27. 1.2 The final 2024-25 budget set out the clear expectation that these £19.8m of policy savings would have to be found in accordance with Objective 3 (Policy choices and scope of Council's ambitions) set out in Securing Kent's Future. Consequently, it has been essential that all areas of discretionary spending are reviewed and considered for savings

The spending on the current arrangements for subsidies and incentives on council tax collection (including Council Tax Reduction Schemes (CTRS) and empty property discounts) falls within the discretionary spending and specifically whether the Council is willing to remove or reduce (cross) subsidies where there is no requirement (duty) to provide support.

There is a statutory obligation on individuals to pay council tax and the Billing Authorities are under a duty to levy and collect council tax. The section 151 officers and the monitoring officers of the Billing Authorities are also subject to their own duties (respectively) relating to the financial administration and legal compliance of their authority. Therefore, the potential impact on council tax collection is considered to be

a matter for individual Billing Authorities to determine and justify through their own governance and compliance arrangements.

Section B – Evidence

Do you have data related to the protected groups of the people impacted by this activity?

Yes

It is possible to get the data in a timely and cost effective way?

No

Is there national evidence/data that you can use?

No

Have you consulted with stakeholders?

Yes

Who have you involved, consulted and engaged with?

Leaders, Chief Executives and Chief Finance Officers of each of the district/borough/city councils (who are the billing authorities for council tax) (the Billing Authorities) have been informed at an early stage in the current financial year of the requirement for KCC to make £19.8m policy savings to replace one-offs in 2024-25 budget, and that these activities relating to council tax collection subsidies and incentives fell within the scope of those considerations. The Billing Authorities response was that if the subsidies and incentives were removed they would have to review working age CTRS and empty property discounts/premiums especially where these result in council tax charges that are not cost effective for the district to collect from their share of council tax. To date no Billing Authority has proposed or implemented any changes to discounts or premiums.

Has there been a previous Equality Analysis (EQIA) in the last 3 years?

No

Do you have evidence that can help you understand the potential impact of your activity?

Yes

Section C – Impact

Who may be impacted by the activity?

Service Users/clients

No

Staff

No

Residents/Communities/Citizens

Residents/communities/citizens

Are there any positive impacts for all or any of the protected groups as a result of the activity that you are doing?

Yes

Details of Positive Impacts

Billing Authorities may elect to increase Council Tax Reduction Discounts

Negative impacts and Mitigating Actions

19.Negative Impacts and Mitigating actions for Age

Are there negative impacts for age?

No

Details of negative impacts for Age

Not Applicable

Mitigating Actions for Age

Not Applicable

Responsible Officer for Mitigating Actions – Age

Not Applicable

20. Negative impacts and Mitigating actions for Disability
Are there negative impacts for Disability?
No
Details of Negative Impacts for Disability
Not Applicable
Mitigating actions for Disability
Not Applicable
Responsible Officer for Disability
Not Applicable
21. Negative Impacts and Mitigating actions for Sex
Are there negative impacts for Sex
No
Details of negative impacts for Sex
Not Applicable
Mitigating actions for Sex
Not Applicable
Responsible Officer for Sex
Not Applicable
22. Negative Impacts and Mitigating actions for Gender identity/transgender
Are there negative impacts for Gender identity/transgender
No
Negative impacts for Gender identity/transgender
Not Applicable
Mitigating actions for Gender identity/transgender
Not Applicable
Responsible Officer for mitigating actions for Gender identity/transgender
Not Applicable
23. Negative impacts and Mitigating actions for Race
Are there negative impacts for Race
No
Negative impacts for Race
Not Applicable
Mitigating actions for Race
Not Applicable
Responsible Officer for mitigating actions for Race
Not Applicable
24. Negative impacts and Mitigating actions for Religion and belief
Are there negative impacts for Religion and belief
No
Negative impacts for Religion and belief
Not Applicable
Mitigating actions for Religion and belief
Not Applicable
Responsible Officer for mitigating actions for Religion and Belief
Not Applicable
25. Negative impacts and Mitigating actions for Sexual Orientation
Are there negative impacts for Sexual Orientation
No
Negative impacts for Sexual Orientation
Not Applicable

Mitigating actions for Sexual Orientation
Not Applicable
Responsible Officer for mitigating actions for Sexual Orientation
Not Applicable
26. Negative impacts and Mitigating actions for Pregnancy and Maternity
Are there negative impacts for Pregnancy and Maternity
No
Negative impacts for Pregnancy and Maternity
Not Applicable
Mitigating actions for Pregnancy and Maternity
Not Applicable
Responsible Officer for mitigating actions for Pregnancy and Maternity
Not Applicable
27. Negative impacts and Mitigating actions for Marriage and Civil Partnerships
Are there negative impacts for Marriage and Civil Partnerships
No
Negative impacts for Marriage and Civil Partnerships
Not Applicable
Mitigating actions for Marriage and Civil Partnerships
Not Applicable
Responsible Officer for Marriage and Civil Partnerships
Not Applicable
28. Negative impacts and Mitigating actions for Carer's responsibilities
Are there negative impacts for Carer's responsibilities
No
Negative impacts for Carer's responsibilities
Not Applicable
Mitigating actions for Carer's responsibilities
Not Applicable
Responsible Officer for Carer's responsibilities
Not Applicable