

Report to: **Hub Committee**
Date: **7 June 2016**
Title: **Consultation on proposed changes to the Council Tax Reduction Scheme 2017/18**
Portfolio Area: **Health and Wellbeing – Cllr L Samuel**

Wards Affected: **all**

Relevant Scrutiny Committee: **Overview & Scrutiny Internal**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

Date next steps can be taken:
(e.g. referral on of recommendation or implementation of substantive decision)

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Recommendations:

1. To approve the proposed public consultation document (Appendix 1) on the changes to the Council Tax Reduction Scheme, aligning the current scheme with Housing Benefit & Universal Credit

1. Executive summary

- 1.1 It is an annual requirement for Councils to revisit their existing council tax support scheme and make a decision as to whether to replace or revise it.

- 1.2 In the 2015 summer budget and autumn statement a number of welfare changes were announced. In order that these changes are reflected in our scheme it is a key time to revisit our existing requirements and ensure it is still aligning itself with relevant benefit legislation.
- 1.3 In order to make changes to our scheme for 2017/18 we are required by law to:
 - Consult with the major precepting authorities
 - Consult with other persons as it considers are likely to have an interest in the operation of the scheme.
- 1.4 The final Council Tax Reduction Scheme must be adopted by Full Council, and cannot be delegated to an Officer or Committee.

2. Background

- 2.1 Council Tax Support (CTS also known as Council Tax Reduction - CTR) was introduced in April 2013 and replaced the national Council Tax Benefit Scheme, with a 10% funding reduction. The CTR scheme for working-age customers is a local scheme, however the scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally. Therefore any savings to the scheme must come from working age customers.
- 2.2 Local Schemes must take account of and:
 - Support work incentives and in particular avoid disincentives for those moving into work
 - Our duties to protect vulnerable people (these duties already exist under the Equality Act 2010, The Care Act 2014, Child Poverty Act 2010, The Housing Act 1996)
 - The Armed Forces Covenant.

2.3 The Current Scheme

- 2.4 The working age scheme adopted by this council in 2013 retained the main elements of the former council tax benefit scheme but with the following;
 - Liability limit (maximum support) of 80%. This means that everyone pays at least the 20% of their Council Tax.
 - Limiting CTR to a Band D Council Tax charge. This means that customers living in a home with a Council Tax band greater than D must pay the additional charge.
 - No second adult reduction
 - A vulnerability/hardship fund to provide additional financial help.
- 2.5 By retaining the core elements of the Council Tax Benefit scheme, albeit with the above changes, meant that we had preserved the means test in its current form, together with the protections and work incentives that have been refined over many years. This

means that our scheme allows for the annual uprating's such as; living allowances, permitted earnings and non-dependant deductions in-line with the relevant regulations.

- 2.6 The scheme adopted by this Council also took account of the outcomes following public consultation.
- 2.7 The administration of HB and UC is subject to complex legislation. By keeping our scheme aligned with the national schemes means that we are mirroring the same principles in our means test and there is also less risk of error being made when assessing claims. It also means that we can administer claims for both HB and CTR at the same time using the same information. This is particularly important when we are experiencing year on year reductions in our administration grants for both HB and CTR.
- 2.8 Since the start of CTR there have been a number of legal challenges to Billing Authorities schemes. Most of these challenges have been made against the consultation process and whether due regard was given to the equality impact assessment when making changes to the scheme. A Supreme Court ruling in 2014 – [*R \(Moseley\) v London Borough of Haringey*](#) has meant that consultation on changes to Council Tax Reduction schemes must also include an option on how the current scheme could be retained on the same level of funding, which comes from other sources of reductions in services.

3. Outcomes/outputs

- 3.1 Since 2013/14 funding for Council Tax Reduction has been included within the overall local government funding grant. The Authority therefore decides how much funding is available to support the Council Tax Reduction scheme.
- 3.2 The aim of the local scheme was for it to be 'cost neutral'. By this we mean that the level of Government grant would equal forecasted Council Tax Reduction expenditure for 2016/17

The following table sets out the annual expenditure and caseload:

	Total caseload	Working age caseload	Pension age caseload	Working age expenditure £	Pension age expenditure £	Total expenditure £
April 14	3,805	1,817	1,988	1,371,905	1,997,878	3,369,783
April 15	3,732	1,801	1,931	1,344,328	1,932,119	3,276,447
April 16	3,482	1,683	1,799	1,283,718	1,830,880	3,114,598

- 3.3 There are a number of reasons for the reduction in expenditure and caseload:

- changes made to our CTR Scheme for working age from April 2013 has reduced potential entitlement;
 - improvements in the economic climate (less dependency on means tested benefits);
 - increase in the statutory pension age so people are remaining in work for longer
- 3.4 Due to the level of increase in council tax for 2016/17 (the introduction of an additional 2% for adult social care) and a number of houses being built then we are likely to see expenditure and caseload increase for this financial year. Also, any downturn in the local economy is likely to result in an increase in costs.
- 3.5 With further reductions in Government grants and the localisation of Business Rates, Council Tax is becoming one of the main sources of income. This is particularly relevant to Devon County Council.

4. Options available and consideration of risk

- 4.1 There were a number of welfare changes announced in the 2015 Summer Budget and the Autumn Statement. It would make sense to reflect these changes in our Council Tax working age scheme in order to keep the scheme aligned with Housing Benefit (HB), Pensioner Council Tax Support Scheme and Universal Credit (UC).
- 4.2 The Devon Local Government Steering Group (DLGSG) met on 15 April 2016 to consider a report from County and District Heads of Finance on Council Tax – Future Strategy. In this report they were asked to consider whether changes should be made to the council tax support scheme for 2017/18. There were 4 options presented:
- Option 1 – No change.
 - Option 2 – Further restrictions in liability level.
 - Option 3 – Administration changes to align with Housing Benefit and Universal Credit.
 - Option 4 – Option 3 plus the introduction of a minimum income floor for self-employed.

All Members of the DLGSG agreed to progress with option 4. This option would deliver savings both to the cost of the scheme and in its administration.

Changes in detail

To align with Housing Benefit

1. Removal of family premium for new claims or break in claims made after 1st April 2017 or where this premium would apply for the first time to existing claims.
2. Remove the element of a work related activity component for new Employment and Support Allowance (ESA). This will only apply to new applicants for ESA after 1st April 2017.

3. Reduce the period for which a person absent from Great Britain can still receive CTR from 13 to 4 weeks.
4. To limit the number of dependent children additions within the calculation for CTS to a maximum of 2. This will only affect households who have a third or subsequent child born on or after 1st April 2017.

To align with Universal Credit

1. Remove the additional earnings disregard and apply the standard disregards to all applicants that are in remunerative work regardless of hours.
 2. To remove entitlement to the Severe Disability premium where another person is paid UC (Carers Element) to look after them.
 3. Introduce a Minimum Income Floor (MIF) for Self-employed after a 12 month start-up period. Linked to National Living wage (7.20) or National Minimum wage (6.70 or £5.30 depending on age).
- 4.3 The cost of the scheme is met through the Council Tax collection fund and all the major precepting authorities need to continue to make significant savings due to cuts in funding.
- 4.4 All the Devon Authorities (including the two unitary authorities) are proposing the same changes to their 2017/18 schemes

5. Proposed Way Forward

- 5.1 At this stage we are seeking Member approval to consult on our draft scheme which is our current scheme plus the changes outlined above. Also to take into account the Supreme Court ruling we are also asking for the public to consider the other alternatives to reducing the amount of help provided by the CTR scheme.
- 5.2 If the draft scheme is approved then the aim is to complete a Devon wide public consultation with all other Authorities at the same time. This consultation is likely to take place in-between late June and September 2016.
- 5.3 Once the outcome of the consultation is known the results will be analysed and the results presented to Members with the proposed way forward, for a final decision on the 2017/18 scheme.

6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal/Governance	Y	The relevant powers for this report are contained within the following legislation; Clause 34 of the Welfare Reform Bill provides for the abolition of Council Tax Benefit from 31 st March

		2013 and introduces the Local Council Tax Support Schemes to be administered by Local Authorities
Financial	Y	<p>In April 2013 the Government abolished the national Council Tax Benefit scheme and Districts were, as Billing Authorities, required to bring in a Council Tax Reduction Scheme (CTR). Funding for this localised scheme was reduced by the equivalent of 10% from the levels paid through benefit subsidy to Authorities under the previous national benefit scheme.</p> <p>Council Tax Reduction funding is included within the overall Settlement Funding Assessment. The scheme is designed to be cost neutral and covers the shortfall in funding of approximately £562,000. Based on current calculations (see 3) officers are confident that the difference between actual and forecasted figures as the end of the financial year will be minimal. The modelling carried out last year which informed the decision to adopt the current scheme is proving to be consistent with what is happening since the Council Tax Reduction Scheme went live.</p>
Risk	<p>Agreement on scheme</p> <p>Financial</p> <p>Financial</p> <p>Financial</p>	<p>Failure to agree a scheme by 31st January 2017.</p> <p>Failure to agree will mean the Council is bound to continue with scheme adopted for 2016/17.</p> <p>Detrimental impact on collection rates</p> <p>Business case in place with all preceptors agreeing financial support to fund extra resource to Undertake early intervention and money advice.</p> <p>Future funding reductions could mean that the proposed scheme will not remain fit for purpose</p> <p>Annual review and close monitoring of announcements and national forums</p> <p>Impact on wider economy and most vulnerable</p> <p>Business case in place with all preceptors agreeing financial support to provide Exceptional Hardship Fund to assist those in extreme financial need.</p>
Comprehensive Impact Assessment Implications		

Equality and Diversity	Y	An equality impact assessment is still being finalised by County, however it will be an essential part of the consultation exercise.
Safeguarding		
Community Safety, Crime and Disorder		
Health, Safety and Wellbeing		
Other implications		

Supporting Information

Appendices:

Appendix 1 Draft consultation questionnaire

Background Papers:

Welfare Reform Act

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes/No
SLT Rep briefed	Yes/No
Relevant Exec Director sign off (draft)	Yes/No
Data protection issues considered	Yes/No
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	Yes/No