

Report to: **Executive Committee**

Date:

Title: **Consultation on proposed changes to the Council Tax Reduction Scheme 2017/18**

Portfolio Area: **Customer First**

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 note the results of the public Consultation for the Council Tax Reduction Scheme.
2. To recommend to Council that no changes are made to the scheme for 17/18 (the existing 2016/17 scheme is retained for 2017/18)

### **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 Authority has undertaken a comprehensive consultation which ran from 27<sup>th</sup> June 2016 – 4<sup>th</sup> September 2016 and invited all residents the opportunity to contribute to the discussion. Our consultation was undertaken at the same time as other Devon Authorities and the proposals to change the Council Tax Reduction scheme are in line with our neighbouring authorities. Whilst the consultation was comprehensive, as with other consultations only a relatively small amount of residents responded. This is no doubt partly due to the technical nature of the changes proposed.

Whilst the numbers are relatively low, every opportunity was given to residents to have their say including:

- on line
  - e-mail
  - social media
  - by completing a consultation paper at customer services
  - A short film was also completed on social media to encourage participation.
- 1.5 Officers are recommending that there are no changes to the existing scheme in 2017/18 because
- Poor consultation response
  - A number of Authorities within Devon have decided against any changes at this stage, some are adopting some changes others are developing their own new scheme, therefore there would no longer be a Devon wide scheme.
  - The changes would potentially result in additional financial hardship to our most vulnerable citizens.
  - The additional financial burden on that group could result in a detrimental effect on our council tax collection rather than realise additional income.

After analysing the results of the survey and some sample calculations of how individuals may be impacted, it was felt that rather than make minor changes to the scheme based on adopting proposals, a complete overhaul of the scheme was required with a view to agreeing a new policy for 2018/19.

- 1.6 The final Council Tax Reduction Scheme must be adopted by Full Council, and cannot be delegated to an Officer or Committee.
- 1.7 An Equality Impact Assessment has been completed and can be found as Appendix 4.

## **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.

## **3 The Current Scheme**

- 3.1 The working age scheme adopted by this council in 2014 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.
- 3.2 Retaining the core elements of the Council Tax Benefit scheme, means that we have 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.
- 3.3 The scheme adopted by this Council also took account of the outcomes following previous public consultation.

- 3.4 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.
- 3.5 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.
- 3.6 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

3.7 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	6,174	2,802	3,372	1,900,285	3,062,544	4,962,829
April 15	6,005	2,751	3,254	1,816,016	3,009,416	4,825,432
April 16	5,273	2,344	2,929	1,747,454	2,836,706	4,584,160

- 3.8 There are a number of reasons for the reduction in expenditure and caseload:
- changes made to our CTR Scheme for working age from April 2014 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
- 3.9 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.
- 3.10 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 and consideration of risk**

- 4.1 The Devon local government steering group (DLGSC) met on the 15<sup>TH</sup> April 2016 to consider a report from county and districts 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 – Restrictions in liability level
- Option 3 – Administration changes to align with Housing Benefit and Universal Credit
- Option 4 – Option 3 plus the introduction of the Minimum Income Floor for self-employed.

All members of DLGSG agree to progress with option 4 it was thought that option would deliver savings both to the cost of the scheme and to its administration.

- 4.2 Members will recall the report of the 16<sup>th</sup> June 2016 when authorisation to publically consult was agreed. Due to poor consultation response it was necessary to complete detailed analysis of how the proposed changes would impact.

### **Changes in detail**

#### **4.3 To align with Housing Benefit**

- 4.3.1 Removal of family premium for new claims or break in claims.** South Hams currently have 1,083 claimants receiving the family premium award. On average this translates to £181.48 per claim per annum at a total cost to the council and preceptors of £196,543 per annum, Since April we have received 251 new claims from families in South Hams that would be affected by these changes, therefore the implementation of this proposal would equate to an annual saving to the council and preceptors of £45,551.

- 4.3.2 This change will not affect those on Universal Credit, Income Support, Income Related Employment and Support Allowance or Income Based Jobseeker's Allowance.

- 4.3.3 Removal of the element of Work Related Activity Component for the calculation of the current scheme for new Employment and Support Allowance (ESA) applicants.** This is an administrative change to pass ported claimants for which there is no financial impact.

- 4.3.4 Reducing backdating to one month for new claims.** We have had no claims that have been awarded more than 31 days backdate between the period 01 April 2016 -15 November 2016.

**4.3.5 Reducing the period for which a person can be absent from Great Britain and still receive CTR from 13 to 4 weeks.** Looking at analysis from previous years this would have no impact.

**4.3.6 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 1<sup>st</sup> April 2017. For the period 01 April 2016 – 15 November 2016 there have been 66 new claims received in South Hams with 2 or more children in the household, this would equate to an annual savings of £42,557

#### **4.4 To align with Universal Credit**

**4.4.1 Removal of the additional earnings disregard and apply the standard disregards irrespective of hours worked to those applicants also claiming Universal Credit.** For the period 1 April 2016 to current date there have been 7 claims that would be affected by this proposal which equates to annual saving to the Council and preceptors of £1,245.

**4.4.2 Removal of entitlement to the Severe Disability premium where someone is already paid Universal Credit (Carers Element) to look after someone with a disability.** There is no data (no current claimants) to enable a calculation to be made.

**4.4.3 Introduce a Minimum Income Floor (MIF) for Self-employed after a 12 month start-up period.** There are currently 419 self- employed claimants who receive CTR. Of these 419 only 73 declare income in excess of the proposed minimum amount, based on the current national minimum wage of £7.20 per hour multiplied by 35 hours £252 per week gross which is reduced to £193.67 net following deductions for tax and national insurance etc. The impact of this proposal would see 419 claimants no longer entitled to CTR making a saving of £284,501.

#### **4.5 Financial impact of Proposals**

	<b>£</b>
Removal of the family premium for all new working age applicants?	45,551
Removal of the element of Work Related Activity Component for the calculation of the current scheme for New Employment and Support Allowance applicants?	0
Reduce the backdating to 1 month?	0

Reducing the period for which a person can be absent from Great Britain and still receive CTR from 13 to 4 weeks?	0
To limit the number of dependent children additions within the calculation for CTS to a maximum of 2?	42,557
Removal of the additional earnings disregard and apply the standard disregards irrespective of hours worked to those applicants also claiming Universal Credit?	1,245
Removal of entitlement to the Severe Disability premium where someone is already paid Universal Credit (Carers Element) to look after someone with a disability?	0
Introduce a Minimum Income Floor (MIF) for Self-employed after a 12 month start-up period?	284,501
<b>Total potential savings (all preceptors)</b>	<b>373,854</b>
<b>South Hams District Council potential savings (9%)</b>	<b>33,647</b>

- 4.6 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.
- 4.7 Taking into account the equality impact assessment we believe that aligning our scheme with Universal Credit changes could potentially have a negative impact on our most vulnerable customers. The customers that are more likely to be affected by the above changes are families that are working on a low income and already struggling to pay their rent and council tax, if we apply these changes the claimant will be unable to pay their council tax putting pressure on our Revenues collection service, in order to recover these arrears we will have to issue summonses creating extra costs for families that can't pay.
- 4.8 Consultation was completed with regard to introducing the changes proposed in option 4. However due to the poor response (Appendix 2) Officers conducted a sample of the differences the changes would make in terms of costs of administration and to the scheme fund, and found the differences very small. It is with this in mind that the recommendation is to leave the scheme as is for 2017/18 and propose a complete overhaul with more in-depth public consultation for 2018/19.
- 4.9 All the Devon Authorities (including the two unitary authorities) consulted the same changes to their scheme for 2017/18. However following the consultation, early indicators are that any benefit from

having a similar scheme Devon-wide have already become fragmented as a number of Authorities have decided against any changes at this stage whilst some are adopting some of the changes.

## 5. Proposed Way Forward

- 5.1 Members have 2 options for the 2017/18 scheme. To retain the CTR scheme as it currently stands, which is the recommended option, or that we make the changes to the scheme as proposed in the consultation. There is one caveat to this option, Members are advised that in the unlikely event that these changes are not agreed by Central Government by 1<sup>st</sup> April 2017, that the Councils Council Tax Reduction scheme will not be amended for 2017/18 but will be amended from 2018.
- 5.2 In addition officers have proposed a complete overhaul of the scheme for 2018/19, revisiting the core principles and ensuring any future scheme is fit for purpose, efficient and clear as possible, whilst targeting the funding available at the people who need it the most.

## 6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal/Governance	<b>Y</b>	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 <sup>st</sup> March 2013 and introduces the Local Council Tax Support Schemes to be administered by Local Authorities
Financial	<b>Y</b>	The Government funding (Settlement funding assessment SFA) received from Central Government will be reduced by 10% for 2016/17. Council Tax Reduction funding is included within the SFA. The scheme is designed to be cost neutral and covers the shortfall in funding of approximately £569,000. 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.
Risks	Agreement on scheme	Failure to agree a scheme by 31 <sup>st</sup> January 2017.  Failure to agree will mean the Council is bound to continue with scheme adopted for 2016/17.
	Financial	Detrimental impact on collection rates  Business case in place with all preceptors agreeing financial support to fund extra resource to undertake early intervention and money advice.  Future funding reductions could mean that the proposed scheme will not remain fit for purpose  Annual review and close monitoring of announcements and national forums  Impact on wider economy and most vulnerable  Business case in place with all preceptors agreeing financial support to provide Exceptional Hardship Fund to assist those in extreme financial need.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	<b>Y</b>	An equality impact assessment has been completed – See Appendix 4.
Safeguarding	<b>Y</b>	Changes to the scheme could be seen to have a negative impact on child poverty.
Community Safety, Crime and Disorder	<b>Y</b>	As above.
Health, Safety and Wellbeing	<b>Y</b>	These changes will impact on our poorest and most vulnerable families.
Other implications		

### **Supporting Information**

#### **Appendices:**

Appendix 1 Current Council Tax Reduction Scheme

Appendix 2 South Hams District Council Consultation Responses  
Appendix 3 Devon-Wide Consultation Responses  
Appendix 4 Equality Impact Assessment

**Background Papers:**

Welfare Reform Act

**Approval and clearance of report**

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