

COUNCIL TAX SUPPORT SCHEME REVIEW

Relevant Portfolio Holder	Cllr Mike Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Key Decision / Non-Key Decision	Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 To feed back the outcome of the recent public consultation and to consider changes to the Local Council Tax Support Scheme.
- 1.2 The report presents proposals for an amendment to the existing scheme. If endorsed these proposals will be subject to a further period of consultation after which a decision will be made on the implementation of changes to the current Scheme.

2. RECOMMENDATIONS

The Cabinet is asked to RESOLVE:

- 2.1 **That Members note the outcome of the initial statutory consultation on options for changes to the Local Council Tax Scheme;**
 - 2.2 **That Members agree that the current Scheme be changed as follows:-**
 - 2.2.1 **entitlement to Council Tax support be capped at 80% of Council Tax liability so that all working age claimants will pay a minimum of 20% towards their Council Tax Liability;**
 - 2.2.2 **the provision of second adult rebate be removed;**
 - 2.2.3 **Non-dependents income be taken into account;**
- and that the amended version shall become the proposed Draft Scheme for 2015/16.**
- 2.3 **that authority be delegated to the Head of Customer Access and Financial Support to carry out the next phase of consultation on the Draft Scheme.**
 - 2.4 **That authority be delegated to the Head of Customer Access and Financial Support to develop a Hardship Fund Policy to provide transitional support for liable persons assessed to be in financial hardship as a result of the changes to Local Council Tax Support.**

- 2.5 In relation to uprating, that Members note that that this will apply regardless of any other changes made under 2.2, and that delegated authority be granted to the Head of Customer Access and Financial Support to incorporate the necessary changes to bring uprating into effect into the scheme.**

3. KEY ISSUES

Financial Implications

- 3.1 As Members are aware, from April 2013 the national scheme of Council Tax Benefits was replaced by locally agreed Council Tax Support Schemes (CTSS). Local schemes are required to protect pensionable age claimants and incentivise work for working age claimants.
- 3.2 The local schemes are now a discount rather than a benefit and an impact of the change to Council Tax Support was that the tax base for the Council was reduced by the total amount of any support given. Compensation for the loss of Council Tax was paid via a grant from the Government. The grant was equivalent to around 90% of the previous Council Tax Benefits costs, in effect, a 10% cut in 2013/14 to the funding available to provide support through our local scheme.
- 3.3 The cut in funding affected all organisations that raise a precept, including Parish Councils, Police, and the Fire Service; with Worcestershire County Council bearing the largest part of the shortfall.
- 3.4 From April 2014 the funding for Council Tax Support was paid as part of the Revenue Support Grant (RSG), rather than as a separate identifiable grant. It is no longer possible to determine exactly the reduction to the funding that is provided for Council Tax Support. It is assumed that the reduction is 10% plus a further cut equivalent to the overall reduction in the RSG.
- 3.5 The total cost of Council Tax support for 2013/14 was estimated to be £4,500,000. The combined shortfall in funding for all preceptors was initially £437,500 with a shortfall for Bromsgrove District of £63,000.
- 3.6 The Council and Precepting authorities took steps during the 2013/14 tax year to reduce the impact of the shortfall in funding for Council Tax support.
- 3.7 In April 2013 billing authorities were provided with more discretion regarding the levels of discounts for second and empty homes. The Council has used these powers and reduced the Council Tax discount on second homes from 10% to 0% and set the amount of Council Tax discount on short term empty properties at 50% for 6 months after which time the full Council Tax will be payable. (This excludes new developments - newly built properties that enter the Valuation List for the first time, providing that they remain continually vacant, receive 100%

discount for the first three months and then a 50% discount is applied for the next period of 3 months.)

- 3.8 The changes to Council Tax discounts has resulted in the “claw back” of approximately £30,000 of the shortfall in funding to the Council.
- 3.9 In addition Worcestershire County Council has clawed back £98k to cover their funding gap through reductions in funding to Bromsgrove Council for the Essential Living Fund and other services, and have indicated that they will be planning to similarly claw back funding in 15/16 if necessary.
- 3.10 It is difficult to quantify the absolute financial impact in 2015/16 of the reduction in funding for Council Tax Support because the funding is no longer separately identified. Based on losing 10% grant the shortfall for the District Council and other major preceptors in 2015/16 is estimated at £324k and is split as follows:
- Bromsgrove District - £45k
 - Worcestershire County Council - £224k
 - Police Authority - £39k
 - Fire Authority - £16k.
- 3.11 A New Burdens grant has been received by the Council to fund any costs associated with the implementation of a Localised Council Tax Support Scheme – including the costs of consultations, production of draft regulations, and changes to the Council’s software.
- 3.12 On an annual basis the Department of Work and Pensions will advise of changes to national benefits rates and personal allowances. These changes must be taken into account for housing benefit calculations and it is good practice to apply these to the Local Council Tax Support Scheme to ensure that it remains in line with other benefits. Any scheme agreed by the Council will require a mechanism for uprating these allowances to reflect changes at a national level.

Consultation

- 3.13 Officers have carried out a preliminary public consultation in order to inform the proposals to be considered. This included statutory consultation with major preceptors and other stakeholders and a full public consultation setting out possible options for change and requesting views on the various options. The consultation was undertaken between 1st September and 10th October 2014. The full results of the public consultation are attached at Appendix 1.
- 3.14 The public consultation consisted of an online survey open to all residents within the Bromsgrove District and a direct mailshot to 6,352 households.
- 3.15 The sample group was selected by extracting details of all households from the Council’s Council Tax database and assigning each household with a randomly

generated number. Each household within the data extract was assigned a randomly generated number and then a selection of the numbers was chosen at random to determine the sample to be used. The sample was then checked to ensure that the proportion of Local Council Tax Support claimants selected was representative of the district as a whole.

At that time there were 39,991 live accounts on the system and 3,441 Council Tax payers receiving some Council Tax Support. The total number of claimants equates to 8.6% of the number of live accounts. The extract was sent to 6,352 households of which 572 were Local Council Tax Support claimants which is 9% of the extract.

- 3.16 The consultation was publicised through the use of social media and press releases which advised the public of how to access the online survey or contribute their responses.
- 3.17 A total of 491 responses were received from members of the public. This represents just over 1% of the total liable properties in the district. 72.5% of the overall response came via the post, and 27.5% on line. The postal survey resulted in a 5.6% response rate, although we do know that some of those who responded online were prompted to do so by the direct mail shot.
- 3.18 Of the total responses 114 (23%) were from households who are currently, or have received, Council Tax support. This represents over 2% of the total current claimants.
- 3.19 48% (235) of the total responses were received from people of working age.
- 3.20 73% (361) of all responders stated that they do think there should be a cap on maximum amount of support provided. 45% of these were of working age.
- 3.21 Of those who stated that a cap should apply the majority (62% or 225) went on to state a preference for an 80% cap.
- 3.22 Just over half of responders (278) stated that they thought support for claimants in higher banded properties should be capped at a lower band. Of these 77 were of working age.
- 3.23 Opinion was evenly split on whether or not support for lower banded properties (A – D) should be capped to the next lowest band.
- 3.24 54% of responders stated that the provision of Second Adult Rebate – a reduction of up to 25% which is based on the income of any resident non-dependants - should be removed. This question prompted some enquiries as unsurprisingly this discount is not well known or understood.
- 3.25 A slight majority (53%) felt that claims should not be backdated.

- 3.26 Likewise a slight majority felt that savings or capital levels should not be reduced. Those who responded that the levels should be reduced did not show a strong preference and this was the question that received the least number of answers.
- 3.27 77% of responders stated that non-dependents' (someone who lives with the claimant such as an adult son, daughter, relative or friend) income should be taken into account.
- 3.28 Although it is not necessary to consult on changes to exemptions the survey did ask for views on whether or not the discount on empty properties should be reduced to 50% of liability for 1 month. 54% stated that they felt the discount should be reduced and 41% stated that it shouldn't.
- 3.29 Separate responses were received from Worcestershire County Council, bdht and the chair of the bdht Tenant's Panel (attached at Appendix 2). Worcestershire County Council are keen to see a change made to the scheme to reduce the shortfall between Council Tax collected and grant funding. Both bdht and the Tenant's Panel set out a number of concerns and do not support any of the options proposed.

Options for change

- 3.30 Appendix 3 provides a breakdown of the possible options. Although officers have made a recommendation at 2.2, Members could consider adopting different changes based on the options set out in Appendix 3, including combining a number of options, or decide to make no change to the current scheme. An estimate of savings for each of the options, where it is possible to make an estimate, is included along with number of claims affected, and other comments relating to the option.
- 3.31 The 'uprating' of the benefits rates and personal allowances to be taken into account, in line with the Secretary of States announcement on those that must be taken into account for other benefits, will potentially result in small changes to the amounts of support provided even if no other changes are agreed. These will vary according to circumstances.
- 3.32 The next stage of consultation is to ask for feedback on a proposed scheme. The final scheme does not have to be that proposed at draft stage but cannot include any changes that have not been consulted on.

Impacts

- 3.33 It should be remembered that any reduction in Council Tax Support will result in more Council Tax to collect. There will be an impact on working age residents who are on low income and they may not previously have had to pay any Council Tax. Individuals will be offered support and advice on managing their finances,

and officers will use a range of options available to them to provide transitional support.

- 3.34 Evidence locally suggests that where all Council Tax payers are required to pay something towards their Council Tax there has not been a major impact on collection rates. An increase in early stage recovery action was reported but where these arrangements have now been in place for two years it can be seen that regular payment is now being maintained.
- 3.35 Analysis of rent arrears in Redditch, where changes to the Council Tax Support scheme were introduced in April 2014 does not show an impact on arrears, which can be linked to the changes.
- 3.36 Officers have worked with BDHT to assess the likely impact on their tenants of any change. It was not possible, with the data we had available, to accurately model the impact however a variety of concerns have been set out in their responses, which are attached at Appendix 2.
- 3.37 In order to provide transitional support for those assessed to be in hardship it is recommended that a small Hardship Fund be set up. Worcestershire County Council has confirmed that it will contribute £25k to this for two years provided we put a scheme in place that covers the total funding gap. A draft Policy is being developed and will be presented along with the final scheme, if changes to support are to be considered.
- 3.38 Any such scheme will provide officers with the ability to carry out assessment of need, ideally in the claimant's own home, and help to provide a range of support options to improve the resident's financial independence. Under the legislation, Officers also have other options available to them to provide transitional support, and when carrying out any assessment all options would be explored. Neighbouring authorities have found that applications for hardship relief are relatively low, and that the majority of households only need short term support to help with the transition to paying a contribution to their Council Tax.
- 3.39 Based on the feedback provided through the initial consultation, the need to implement a scheme which incentivises work and in light of the funding gap for the provision of council tax support, Officers believe that the options, as recommended at 2.2 provide the only viable options. None of the other proposals would meet the funding gap either on their own or in combination with other proposals. The 80% cap should also ensure that for households with the same Council Tax liability there will be an equal cut to Council Tax Support in cash terms.

Legal Implications

- 3.40 As the billing authority the Council is required by the Local Government Finance Act 2012 to consider whether to revise its scheme or to replace it with another scheme, for each financial year.
- 3.41 The Local Government Finance Act 2012 inserted a new schedule, schedule 1A into The Local Government Finance Act 1992.

The schedule provides certain matters that must be included in a Local Council Tax Reduction Scheme and the preparation that must be undertaken prior to the adoption or revision of a scheme.

Paragraph 3 of Schedule 1A provides that before making a scheme [or before revising a scheme] the authority must (in the following order):

- a) consult any major precepting authority which has power to issue a precept to it;
- b) publish a draft scheme in such manner as it thinks fit; and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

Service / Operational Implications

- 3.42 A further period of statutory consultation must take place on the Draft Scheme ahead of final decision making by the Cabinet and Council in December/January.

This will be a lighter touch consultation held between 10th November and 5th December asking for comments on the draft Scheme to be submitted via an online form or in writing.

Major preceptors and RSL's will be contacted directly, and residents and others would be advised via press releases and social media that a draft scheme had been published and inviting comment.

- 3.43 To be effective from April 2015 the Scheme must have been finalised and published by 31st January 2015. Due to the work required to prepare the regulations and guidance the scheme must have been agreed by early in January 2015.
- 3.44 If changes to the Scheme are agreed Officers will work with residents identified as having specific needs to ensure that they are supported through the changes to mitigate the impact on their finances. This may be through short term transitional relief, alternative funding, such as Discretionary Housing Payments, or money management/ debt advice. Officers will work with partners and voluntary sector organisations to pull in the support needed as and when it is identified.

Customer / Equalities and Diversity Implications

- 3.45 Any local scheme must provide full discount to claimants of pensionable age and should incentivise work for those of working age, whilst also protecting vulnerable groups, as far as possible. There is no definition of which groups count as vulnerable and it is for Councils to decide which groups of claimants might be classed as vulnerable and to determine methods to protect these groups.
- 3.46 In order to protect vulnerable persons and in line with the Council's strategic purpose to help people to be financially independent it is proposed that Officers develop a fair and transparent Hardship Fund Policy which is flexible enough to look at individual needs and respond to those needs with a variety of support mechanisms.
- 3.47 Officers would also use other discretionary powers to support individuals on a case by case basis where hardship, as a result of the changes, has occurred.

4. RISK MANAGEMENT

- 4.1 Any changes to the Support scheme whilst increasing Council Tax income to the Council and our major preceptors would have implications for approximately 2,500 residents. Officers would provide support through discretionary relief, and other financial support mechanisms.
- 4.2 Council Tax collection rates may reduce and officers will closely monitor the arrears position and ensure that Members are made aware of the impact on the percentage of the debt collected.
- 4.3 Recovery action is likely to increase, at least in the first year. Officers will ensure that recovery action does not result in escalating costs for any individual impacted by this change unless all other avenues have been exhausted.
- 4.4 A Local Council Tax Support Scheme for 2015/16 must be agreed by Council and published by January 2015 to be effective from April 2015. If no changes to the existing scheme are agreed the current scheme will be amended to take account of 'uprating' of other national benefits but otherwise will be unchanged.

5. APPENDICES

Appendix 1 - Local Council Tax Support (LCTS) Scheme – Consultation Results
Appendix 2 – Feedback from bdht, bdht Tenant's Panel and Worcestershire County Council
Appendix 3 – Options for consideration

6. BACKGROUND PAPERS

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885)
The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (SI 2012/2886)
The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012 (SI 2012:3085)
Local Government Finance Act 2012
Localising Support for Council Tax – A Statement of Intent

AUTHOR OF REPORT

Name: Amanda de Warr, Head of Customer Access and Financial Support
email: a.dewarr@bromsgroveandredditch.gov.uk Tel: 01527 881241