

## ITEM            **Review of Council Tax Support Scheme for 2018/19**

Report of the Finance Portfolio Holder

### **Recommended:**

- 1.     That the Acting Head of Revenues (Benefits & Customer Services) bring forward the local Council Tax Support Scheme (also known as the Council Tax Reduction Scheme) for 2018/19, based on the principles of the 2017/18 Scheme, for approval by Council in January 2018 and that the scheme continues to disregard 100% of certain payments (for working age and pensioner age customers) made under the War Pension and Armed Forces Compensation Schemes.**
- 2.     That the Acting Head of Revenues (Benefits & Customer Services), in preparing the 2018/19 scheme for approval, include provision for the components of the Council Tax Support Scheme to be uplifted in line with the national Council Tax Support Pensioner Scheme and national Housing Benefit Scheme.**

#### SUMMARY:

- Council Tax Benefit (CTB) was replaced with a local Council Tax Support (CTS) Scheme from 2013/14. The Council must now consider the options for 2018/19.
- The national welfare reform programme is on-going and Universal Credit (UC), which will have a significant impact on the CTS scheme, is currently scheduled to be completed by 2022.
- Benefits customers continue to experience a time of significant change. The current CTS scheme works well and provides support for those on the lowest incomes and in greatest financial need.
- The estimated cost of the 2018/19 recommended scheme can be met within current budget estimates and therefore does not create an additional budget pressure.
- Given the current and future scale of welfare reform it is recommended that the current CTS scheme continues to be adopted for 2018/19, with an uplift in value in some elements of the scheme in line with the arrangements for national benefits.

## **1     Introduction**

- 1.1     Support for Council Tax was localised from 2013/14. This meant that the Council had to design its own CTS scheme for Test Valley residents to replace the national CTB scheme. After a comprehensive consultation exercise the Council introduced a local CTS scheme for 2013/14 which did not change the underlying basis on which the amount of financial support the Council provided was calculated.

- 1.2 The Council reviewed the schemes for 2014/15, 2015/16, 2016/17 and 2017/18 and the decision was made to maintain the underlying basis of the scheme with an increase in the components of the calculation to allow for rises in the cost of living.
- 1.3 The Council must now review the position for 2018/19.

## **2 Background**

- 2.1 On 7 December 2016 the Overview and Scrutiny Committee considered a report which offered the Committee the opportunity to decide whether to commence a review of the CTS scheme for 2018/19. This was completed at an early opportunity due to the long lead in time that would be necessary if a full review and consultation period was required. The Committee considered the timetable for the rollout of Universal Credit and the financial impact of the current scheme.
- 2.2 The Council Tax Support caseload figures previously provided to the Committee have now been updated as follows:

| <b>Date</b>    | <b>State Pension Credit age claimants</b> | <b>Working age claimants</b> |   |                                 |  | <b>Total</b> |
|----------------|---|------------------------------|---|---------------------------------|--|--------------|
|                |   | <b>Children Under 5</b>      | <b>Disability Benefits &amp; War Pensions</b> | <b>Working 16 hours or more</b> | <b>Job Seekers or Working under 16 hours</b> |              |
| 10/06/13       | 3106                                      | 765                          | 868   | 588                             | 1039   | <b>6366</b>  |
| 08/05/14       | 2985                                      | 744                          | 916   | 606                             | 941  | <b>6192</b>  |
| 19/05/15       | 2805                                      | 659                          | 991   | 550                             | 816  | <b>5821</b>  |
| 12/05/16       | 2635                                      | 570                          | 1134  | 504                             | 719  | <b>5562</b>  |
| 11/05/17       | 2494                                      | 512                          | 1361  | 457                             | 536  | <b>5360</b>  |
| <b>Current</b> | 2418                                      | 502                          | 1357  | 440                             | 546  | <b>5263</b>  |

- 2.3 The Department for Work and Pensions have now started the roll out of the Universal Credit full service for Jobcentres affecting Test Valley residents as follows:

- February 2017      Southampton
- June 2017         Salisbury
- July 2017         Eastleigh
- July 2018         Andover & Winchester

- 2.4 This means that until July 2018 a large number of residents will still be making joint claims for Housing Benefit and Council Tax Support.

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- 2.5 The Department for Work and Pensions have an ambitious timetable to deliver the new Universal Credit full service into all Jobcentres by December 2018.
- 2.6 Assuming the timetable is met, the Council can expect to see a steady reduction in joint claims for Housing Benefit and Council Tax Support during 2018/19 as claims move to Universal Credit. In subsequent years there will be scope to simplify the calculation of support linking this to Universal Credit assessments once a separate Housing Benefit calculation will not need to be made. This could be as early as the 2019/20 CTS scheme and the position will need to be reviewed in 2018.
- 2.7 Currently the majority of assessments are undertaken for Housing Benefit and Council Tax Support within the same calculation because the rules align for these two benefits. There will be a large administrative cost if the Council amends the Council Tax Support scheme rules to become significantly different to the Housing Benefit rules. This would require two separate calculations and would not be cost effective until a large number of Housing Benefit claims have moved over to Universal Credit and the Council is then only calculating Council Tax Support for these residents.
- 2.8 In summary, the situation has not changed significantly since the Council considered the position last year. Welfare benefits are in a period of significant change.
- 2.9 Given the current and future scale of welfare reform it is recommended that the current CTS Scheme continues to be adopted for 2018/19.

### **3 Risk Management**

- 3.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the changes/issues covered do not represent significant risks.

### **4 Resource Implications**

- 4.1 Under the previous CTB scheme, the Council was reimbursed in full, for the amount of CTB paid out correctly. In times of economic difficulty as the amount of benefit the Council paid out increased the Council was reimbursed by the Government.
- 4.2 Under the current scheme, funding for CTS is included in the local government finance settlement. A specific amount of funding was identified in year one of the scheme, which included a 10% cut in funding. However, funding for CTS schemes is now provided through the business rates retention scheme rather than through a separate grant for all authorities. Any additional cost of the CTS scheme therefore has to be met by the Council and major precepting authorities via the Collection Fund. The Council's share of any surplus or deficit is approximately 11.4%.
- 4.3 The overall level of CTS awarded has reduced over recent years; this is due to the reduction in caseload.

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- 4.4 In setting budgets for 2016/17, all the major preceptors increased their Council Tax charge by the maximum permitted amount. The effect of this was that the actual amount of Council Tax Support awarded at the start of 2016/17 was £4.883M.
- 4.5 The £4.883M above reflected the amount of support that the Council would pay if every recipients' circumstances remain the same throughout the year, that is to say it is an annual estimate based on circumstances on a given date. The final cost of the CTS scheme in 2016/17 was £4.668M; this was due to a reduction in caseload throughout the year.
- 4.6 The actual amount of CTS awarded at the start of 2017/18 was £4.883M mirroring the same level of support for the previous year despite further increases in Council Tax.
- 4.7 Looking at recent trends the caseload is expected to continue to fall throughout the year. It is not expected that the continuation of the existing scheme in 2018/19 will have an adverse effect on the Council's budget.
- 4.8 Expenditure as at 14 November 2017 has fallen to £4.801M, in line with the expectation that the current trend in reducing caseload will continue throughout the year.
- 4.9 If all major preceptors increase their Council Tax charge by the maximum permitted amount for 2018/19 the Council's share of the additional cost may be offset by the current trend in reducing caseload. Whilst it is not expected that the continuation of the existing scheme in 2018/19 will have an adverse effect on the Council's budget, the expenditure for Council Tax Support will be kept under review.

## **5 Corporate Objectives and Priorities**

- 5.1 The matters described in this report are in response to legislative changes that have been introduced by the Government. They potentially impact the Corporate Plan aims relating to where residents live and help to support them back to work.

## **6 Consultation**

- 6.1 No further detailed consultation has been carried out in respect of the 2018/19 Scheme as the basis of the Scheme recommended in this report remains unchanged.
- 6.2 Any changes proposed as part of this Scheme will be the subject of a future consultation exercise.

## **7 Legal Issues**

- 7.1 Components of the CTS scheme, as was the case under the national CTB scheme, can be increased each year. These components are the building blocks which form the theoretic financial need for claimants and are based on individual circumstances.

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- 7.2 Each year the Government sets an uplift value for the CTS pensioner scheme. The Council could determine not to implement an uplift for the working age scheme or could devise its own methodology to calculate the value of the uplift. However, it is recommended that the components of the CTS scheme are uplifted in line with the national Council Tax Support pensioner scheme and the national Housing Benefit scheme. This approach will ensure that the uplift in the Council's CTS scheme for working age customers remains in line with the CTS scheme for pensioners and other national benefits.
- 7.3 The Council must approve the scheme for 2018/19 by 31 January 2018. As the increases in components used in the CTS calculation will not be available from the Government until late 2017 / early 2018 it is planned to present the updated detailed local CTS scheme for 2018/19 to the Council meeting on 24 January 2018.
- 7.4 The Council produces an 'easy read' version of the CTS Scheme and this will be amended in line with any agreed changes and published on the website.

### **8 Equality Issues**

- 8.1 A comprehensive equality impact assessment was carried out in respect of the initial Scheme design and as no fundamental changes are being considered a further assessment is not required.

### **9 Conclusion and reasons for recommendation**

- 9.1 Benefits customers continue to experience significant change. Many are, or will be, undergoing assessment to identify entitlement to new types of national benefit which will change the benefit that they receive and the way in which financial support is paid.
- 9.2 The current CTS scheme works well and provides support for those on the lowest incomes and in greatest financial need. In subsequent years there will be scope to simplify the calculation of support linking this to Universal Credit assessments once a separate Housing Benefit calculation will not need to be made. This could be as early as the 2019/20 CTS scheme and the position will need to be reviewed in 2018.
- 9.3 The estimated cost of the 2018/19 recommended scheme can be met within current budget estimates and therefore does not create an additional budget pressure. Given the current and future scale of welfare reform it is recommended that the current CTS scheme continues to be adopted for 2018/19.

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| <u>Background Papers (Local Government Act 1972 Section 100D)</u>   |                   |           |                  |
| <u>Confidentiality</u> It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public. |                   |           |                  |
| No of Annexes:  | 0                 | File Ref: |                  |
| (Portfolio: Finance) Councillor Giddings  |                   |           |                  |
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| Report to:  | Cabinet           | Date:     | 13 December 2017 |