

ITEM 9

Review of Council Tax Support

Report of the Head of Revenues (Portfolio: Economic)

Recommended:

1. That Overview and Scrutiny Committee consider the information presented in this report.
2. That the Committee identifies options for officers to work up, in respect of the local Council Tax Support Scheme for 2016/17 and 2017/18, to be considered at a future meeting.

SUMMARY:

Council Tax Benefit (CTB) was replaced with a local Council Tax Support (CTS) Scheme from 2013-14. At the same time the Council introduced changes to the Council Tax discounts and exemptions relating to second home and empty properties. The CTS Scheme remained largely unchanged for both 2014-15 and 2015-16. Overview and Scrutiny Committee requested a further update to be provided in April 2015.

The national welfare reform programme is on-going with significant changes being implemented currently and further reform planned. The programme for Universal Credit (UC), which will have a significant impact on the CTS Scheme, is currently scheduled to be rolled out in the Test Valley area from September 2015 to be completed by the end of 2019.

Based on the first two years of operation the new Scheme can be funded from the income generated by the changes to Council Tax discounts and exemptions alone. This means that no additional budget pressure will be created by the fact that a transitional grant was made for 2013/14 only.

The current caseload trend and expenditure relating to groups of customers is provided. This information gives Overview and Scrutiny Committee the opportunity, at an early stage, to contribute to the design of the CTS Scheme for future years.

1 Introduction

- 1.1 Included within the Comprehensive Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013/14, reducing Government financing by 10%. This meant that the Council had to design its own CTS Scheme for Test Valley residents to replace the national CTB scheme.

- 1.2 At the same time the Government made changes to legislation relating to the Council Tax liabilities of second home owners and owners of empty properties. The Council was therefore able to consider changes which could support the Council's corporate aim of increasing the supply of available housing in the Borough and would also provide a modest additional income which could be used to offset the cost of the CTS Scheme.

2 Background

- 2.1 The timescale available to introduce the new CTS Scheme and Council Tax changes was limited with the project having to proceed prior to legislation being issued. The Council had to consider some difficult decisions which would potentially affect some of the most vulnerable residents within the Borough.
- 2.2 A comprehensive consultation exercise was carried out. This included major precepting authorities, benefit and Council Tax customers and stakeholder organisations. The Enham Trust engaged with the Council throughout the consultation process specifically on the CTS options being considered and the impact on disabled customers who are unable to work. Overview and Scrutiny Committee was also engaged in the process, reviewed the options being considered and made recommendations to Cabinet. These recommendations also referred to protection for disabled customers.
- 2.3 The assessment of residents on a low income with a disability, and their capability to work was carried out on a national level as part of the Government's welfare reform proposals. These assessments are now complete with only 4 cases left to assess within Test Valley and it is likely these will be completed shortly.
- 2.4 The Council, having considered the representations made during the consultation process, introduced a local Scheme for 2013/14 which did not change the basis on which the amount of financial support the Council provides is calculated. This allowed the Council to claim an additional Transitional Grant to offset some of the cost of the new Scheme. This was the preferred way forward given the on-going changes under the wider welfare reform programme.
- 2.5 At the same time the Council introduced changes to discounts and exemptions relating to second homes and empty properties. The income raised by these changes was estimated to offset the cost of the CTS Scheme.
- 2.6 The Overview and Scrutiny Committee considered a report reviewing the CTS scheme for 2014/15 on 24 July 2013. Given the current and future scale of welfare reform the Committee recommended to Cabinet that the current CTS Scheme should be adopted for 2014/15 and a further review undertaken before a decision on 2015/16 was taken. The Committee requested a further update be provided to them in early 2014.

- 2.7 The Overview and Scrutiny Committee considered a report reviewing the CTS scheme for 2015/16 on 23 April 2014. Given the current and future scale of welfare reform the Committee again recommended to Cabinet that the current CTS Scheme should be adopted for 2015/16 and a further review undertaken before a decision on 2016/17 was taken. The Committee requested a further update be provided to them in April 2015.
- 2.8 In January 2015, Council reviewed the position for 2014/15 and determined that the existing Scheme should continue into 2015/16. Council approved an annual uplift of the components of the CTS Scheme in line with the uplift for the national CTS Scheme for Pensioners and the Housing Benefit Scheme. Council also approved the ongoing disregard of 100% of certain payments (for working age and pensioner age customers) made under the War Pension and Armed Forces Compensation Scheme.
- 2.9 In maintaining the Scheme at previous Council Tax Benefit levels Members were mindful of the fact that the Scheme will change in future and that stability is needed during a period of significant welfare reform. During this transitional period, pending the introduction of UC, Members wished to provide certainty and were keen not to confuse the position by having an interim scheme with a fundamentally different means test from the one that may be applied in the future. When UC is implemented the Council will then be in a position to develop a CTS Scheme which is both simpler to administer and easier for customers to understand than a complicated means test. Members adopted this approach recognising the fact that the changes to Council Tax discounts and exemptions provided the income to maintain CTS at previous levels.

3 Current Council Tax Support Caseload

- 3.1 The current CTS caseload has seen a fall in claimants receiving Jobseekers Allowance and in the number of pensioner claimants and an increase in people receiving disability benefits. The figures for the last two years can be seen below -

Date	State Pension Credit age claimants	Working age claimants				Total
		Children Under 5	Disability Benefits & War Pensions	Working 16 hours or more	Job Seekers or Working under 16 hours	
10/06/13	3106	765	868	588	1039	6366
14/11/13	3054	747	904	625	987	6317
08/05/14	2985	744	916	606	941	6192
13/11/14	2901	715	973	580	859	6028
Current	2854	700	1013	591	828	5986

4 Council Tax Support Expenditure

4.1 The current annual expenditure amounts for the caseload figures are shown below –

Scheme Type	Expenditure April 2014	Expenditure April 2015
State Pension Credit age claimants	£2,648,684	£2,411,773
Working age claimants		
Children under 5	£621,077	£519,278
Disability Benefits & War Pensions	£885,477	£952,107
Working 16 hours or more	£373,436	£333,688
Job Seekers or Working under 16 hours	£844,074	£703,683
Total	£5,372,748	£4,920,529

5 Council Tax Support Schemes for 2016/17 & 2017/18

- 5.1 When considering the CTS Scheme for 2015/16 the Overview and Scrutiny Committee was keen to ensure that the Council was supporting the Government's objective of making work pay whilst protecting those customers who were unable to work. In considering any changes to the current Scheme there are several factors to consider.
- 5.2 Benefits customers have been through a time of significant change with the implementation of the changes to Local Housing Allowance levels and the introduction of the social sector size criteria and the benefit cap. The national welfare reform programme is on-going with significant changes being implemented currently and further reform planned.
- 5.3 The programme for UC, which will have a significant impact on the CTS Scheme, is currently scheduled to start being rolled out in the Test Valley area in September 2015 to be completed by the end of 2019.
- 5.4 The CTS Scheme will need to be amended alongside the UC rollout. Any new Scheme will be simpler to administer for all customers if entitlement to CTS is linked to the elements of UC that customers receive rather than being based on a complicated means test.

- 5.5 In considering changes to the Scheme it is important to recognise the full implications of any changes both for customers and the Council. A Scheme which affects only certain groups of customers may involve the design and administration of a complex process. This may be confusing for customers and more costly for the Council to administer.
- 5.6 Introducing any form of change would mean that those customers affected would be required to pay an amount, or an additional amount, of their Council Tax liability. This is especially relevant to those customers who currently receive full support and therefore do not make any contribution towards their Council Tax.
- 5.7 The implications for the Council of recovering small amounts of Council Tax from customers would need to be assessed. It is likely that the Council would need to establish specific recovery processes to collect these debts as issuing court proceedings for small balances would be neither appropriate nor practical. Ultimately a percentage of any such small debts may fall to be written off as irrecoverable.
- 5.8 Options for future changes to the CTS scheme are subject to a 12 week public consultation exercise and subsequent Equality Impact Assessment. Officers estimate that the redesign of the CTS scheme, allowing for robust impact assessments so as to ensure Members are provided with full information about the practical application of the scheme, will take around 18 months to complete. A draft timeline is shown at Annex 1.
- 5.9 This timeline suggests that the current scheme is adopted for 2016/17.
- 5.10 Importantly however, the time line also proposes that officers begin work early in 2015/16 on the redesign of the scheme to take effect in 2017/18. In particular officers are keen to use the early part of 2015/16 to research the impact of schemes adopted by Councils who are in earlier phases of the rollout of UC so that we may learn from their experiences.

6 Risk Management

- 6.1 A risk assessment, in accordance with the Council's risk management process, will be carried out if changes to the current Scheme are to be considered.

7 Resource Implications

- 7.1 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.

7.2 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 11.2%.

7.3 The total amount of CTS awarded over recent years is as follows -

	Total CTS Awarded £M	TVBC share of CTS awarded £M
Outturn 2013/14	£5.375	£0.602
Original Estimate 2014/15	£5.387	£0.603
Current Forecast 2014/15	£5.084	£0.569
Original Estimate 2015/16	£5.109	£0.572

7.4 The overall level of CTS awarded has reduced slightly over recent years. This is a reflection of maintained Council Tax levels and a reduction in caseload. The position may change due to an increase in benefit take up or an increase in Council Tax levels but this is not expected in the medium term.

7.5 The forecast cost for the current year is less than the original estimate. The original estimate for 2015/16 is based on the forecast for 2014/15, with an adjustment for the cost of living uplift. This falls within current budget estimates and will not create an additional budget pressure.

8 Corporate Objectives and Priorities

8.1 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 Housing, Communities and the Economy.

9 Consultation

9.1 If any options for change are to be considered a 12 week consultation process would need to be carried out following consultation with the major precepting authorities.

10 Legal Issues

10.1 The Council must approve the Scheme for 2016/17 by 31 January 2016. The Council may, at the same time, approve the Scheme for future years.

- 10.2 In determining the Scheme the Council must have due regard to the requirement to consult major preceptors and other stakeholders and must carry out a robust equality impact assessment on any proposed changes.
- 10.3 Components of the CTS Scheme (see below), 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. They include personal allowances, premiums and disregards -
- **Personal Allowances** are the basic amounts of money the government says a claimant needs to live on. The level depends on the claimant's age and whether they are part of a couple. There are additional allowances for dependant children.
 - **Premiums** are additional amounts added to the personal allowance because of claimant's personal circumstances. The government recognises that it is more expensive to live with a family or if someone has a disability or caring responsibilities. Extra amounts are added to income based benefits to account for this.
 - **Disregards** – this is the amount of earnings not taken into account when calculating entitlement to benefits. There are standard earnings disregards for singles, couples and lone parents. People in certain groups, such as carers and people with disabilities are eligible for a higher disregard.

The CTS calculation compares a claimant's actual income to the theoretical level of need. In simple terms, if income is less than the level of need, CTS meets the full Council Tax liability. If income is more than the level of need the award of CTS is reduced by 20p for each pound over the level of need.

11 Equality Issues

- 11.1 A comprehensive equality impact assessment was carried out in 2012 and the findings of that assessment have been considered in setting previous schemes. If any options for change are to be considered further a full equality impact assessment of those options will need to be carried out.

12 Conclusion and reasons for recommendation

- 12.1 This report gives Overview and Scrutiny Committee the opportunity, at an early stage, to contribute to the review of the CTS Schemes for 2016/17 and 2017/18 by identifying potential changes to the Scheme for work up by officers and further consideration by Overview and Scrutiny Committee.

Background Papers (Local Government Act 1972 Section 100D)

Confidentiality

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:	1		
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