

Review of Council Tax Support

Report of the Council Tax Support Review Panel

Recommended:

- 1. That Overview and Scrutiny Committee consider the information and the comments by officers and Members presented in this report.**
- 2. The Panel have considered all options and would recommend option 1.**

SUMMARY:

The Overview & Scrutiny Committee appointed a Member Panel to review the current scheme and make recommendations for options to consult on changes to the Council Tax Support Scheme for 2017/18.

This report details the options that have been considered by the Panel.

1 Introduction

- 1.1** The Council Tax Support scheme replaced Council Tax Benefit from 1 April 2013 and the Government reduced the funding for this scheme by 10%. The Council had the option of absorbing this burden or making up this shortfall by reducing the level of support for working age claims. There is no discretion to amend the pensioner claims other than allow a higher disregard for war pensions.
- 1.2** The Council undertook extensive consultation in 2012 to develop a scheme and the options considered were to restrict support for higher banded properties and make everyone pay at least 10% of their Council Tax. At the same time higher charges would be levied on empty properties.
- 1.3** Following the consultation and considering the findings of the Equality Impact Assessment, Members decided to leave the Council Tax Support scheme unchanged from the previous scheme but to offset the extra cost of this with the higher charges for empty properties.
- 1.4** In April this year Cabinet recommended keeping the existing scheme for 2016/17 but to review the scheme for 2017/18 in light of the welfare reforms and in particular the introduction of Universal Credit.

- 1.5 The Overview & Scrutiny Committee appointed a Member Panel to review the current scheme and make recommendations for options to consult on changes to the Council Tax Support Scheme for 2017/18.

2 Background

- 2.1 The Panel met frequently as it is important to meet deadlines should a 12 week consultation for the 2017/18 scheme be required. The Panel has reviewed information regarding the current Council Tax Support (CTS) Scheme including:

- The current caseload trends and expenditure for CTS (see annex 1);
- The level of impact on single people and couples should the Council decide to apply a 5%, 10% or 15% cap on support for customers (see annex 2);
- A detailed analysis of the children under 5 group to establish the numbers and ages of children the Council is supporting and examples of the types of income this group are receiving (see annex 3);
- Examples of how the current level of CTS is calculated for customers (see annex 4);
- An estimate of additional administration costs to recover small amounts of Council Tax from customers currently receiving maximum support (see annex 5);
- The CTS schemes in place in Hampshire and Wiltshire and a comparison of their Council Tax Collection rates over the last three years (see annex 6); and
- The recent public consultation for options to change the CTS scheme at Eastleigh Borough Council.

- 2.2 When considering the CTS Scheme for 2017/18 the Panel was keen to ensure that the Council supports the Government's objective of making work pay whilst protecting those customers who are unable to work. In recommending any options for change to the current Scheme the Panel has considered the following factors:

- Currently, Council Tax Support (CTS) claims are assessed at the same time as Housing Benefit claims so the rules remain broadly similar. As claims move from Housing Benefit to Universal Credit there is scope to simplify the CTS scheme.
- The Council is working to a tight timetable and any options for changes proposed are subject to a 12 week public consultation period. The County Council and other major precepting Authorities must be consulted during this process.

- Any new scheme must not be excessively complicated as this will increase administrative costs for the Council.
- Consideration must be given to alleviating child poverty and protecting vulnerable adults.
- Any new scheme should consider work incentives.
- Collecting small amounts of Council Tax from customers receiving CTS will also increase the administrative costs and the collection rates may fall.
- CTS Caseload numbers are falling along with the total expenditure.
- The Housing Benefit rules are changing from 1 April 2016 to restrict the backdating of benefit from 6 months to one month and to remove the family premium from the calculation. The expenditure in this area is not significant; however the CTS scheme could be amended to keep the schemes aligned.
- There are a number of changes due to be introduced from April 2017 regarding Tax Credits for any children born after this date when the customer already has 2 or more children. The CTS scheme expenditure will increase if these changes are not reflected in the new scheme.
- The importance of keeping the existing scheme under review as changes under the Government's welfare review programme and any impact this has on both residents and the overall cost of the scheme.
- Consideration should be given to the number of social tenants and how this would be affected by new build within the Borough.

3. Options

Option 1: Continue with the current level of support for 2017/18 and review in 12 months time once more claims for Universal Credit are in payment and the impact of the April 2016 Housing Benefit and Tax Credit changes are known.

Potential Costs/Savings	Officers Comments	Panel Comments
<p>Additional cost cannot be quantified until further details have been released by central Government.</p>	<p>Will protect customers already undergoing a significant period of change with welfare reforms.</p> <p>May result in an increase in expenditure for 2017/18 as CTS will not reflect any changes to Tax Credits.</p>	<p>Panel members recommend this option which will not require any public consultation and the expense that this would incur.</p> <p>Any increase in expenditure will be for one year only as this will be reviewed again in 12 months time.</p> <p>Any increase in expenditure may be offset by a reduction in caseload if current trends continue.</p>

Option 2: Leave scheme unchanged until all working age cases have migrated to Universal Credit (expected to complete in 2020).

Potential Costs/Savings	Officers Comments	Panel Comments
<p>Additional cost cannot be quantified until further details have been released by central Government.</p> <p>Depending on whether caseload continues to fall, any additional cost may be absorbed by a fall in expenditure.</p>	<p>Will protect customers already undergoing a significant period of change with welfare reforms.</p> <p>May result in an increase in expenditure for 2017/18 and beyond as CTS will not reflect changes to Tax Credits.</p> <p>Will enable all working age claims to move to a more simpler CTS scheme based on Universal Credit income bands and this should achieve significant savings in administration costs.</p>	<p>Panel members do not recommend this option which will not require any public consultation and the expense that this would incur.</p> <p>There is a risk in waiting for a long time for a further review as the scheme will need to evolve to reflect other policy changes.</p>

Option 3: Consult on proposed changes to the 2017/18 scheme to reflect changes that are being made to the Housing Benefit scheme and Tax Credits under the Government’s programme of welfare reforms.

Potential Costs/Savings	Officers Comments	Panel Comments
<p>Estimated savings: Backdated benefit £28,000 (TVBC share £3,100)</p> <p>Changes to Tax Credits cannot be quantified until further details have been released by central Government.</p>	<p>Will align CTS rules to Housing Benefit rules.</p> <p>Provided the caseload does not increase this will result in reduced expenditure for 2017/18 and beyond.</p> <p>Will impact financially on customers already undergoing a significant period of change with welfare reforms.</p>	<p>Panel members do not recommend this option which will require a public consultation and the expense that this would incur.</p> <p>The Council will bear the full cost of collecting additional amounts and this could exceed any savings for TVBC.</p> <p>There is currently no information available regarding the changes to Tax Credits to enable any potential savings to be calculated.</p> <p>Will have an adverse affect on working customers already receiving a reduction in Tax Credits.</p>

Option 4: Consult on proposed changes to the 2017/18 scheme to apply a cap of 5%, 10% or 15% making everyone responsible for paying an element of Council Tax.

Potential Costs/Savings	Officers Comments	Panel Comments
<p>Estimated savings: 5% = £154,800 (TVBC £17,300) 10% = £309,800 (TVBC £34,700) 15% = £463,800 (TVBC £51,900)</p> <p>Children under 5 (631) 5% = £32,800 10% = £65,600 15% = £98,200</p> <p>Disability Benefits (1,044) 5% = £53,200 10% = £106,400 15% = £159,300</p> <p>Working 16 hours + (554) 5% = £29,800 10% = £59,700 15% = £89,400</p> <p>Jobseekers or working less than 16 hours (771) 5% = £39,000 10% = £78,100 15% = £116,900</p>	<p>Provided caseload does not increase will result in reduced expenditure for 2017/18 and beyond.</p> <p>Will impact financially on customers already undergoing a significant period of change with welfare reforms.</p> <p>The Council will have to collect small amounts from a large number of people which will increase administration costs.</p> <p>Consideration will need to be given to protect customers unable to work and increase their income in order to pay additional Council Tax.</p> <p>Impact will be greater in rural areas as these properties will usually attract a higher Council Tax Band</p>	<p>Panel members do not recommend this option which will require a public consultation and the expense that this would incur.</p> <p>The Panel members are concerned that this will have an adverse affect on customers in rural areas already facing other pressures such as housing and transport costs.</p> <p>The Panel members would recommend not going above 10% due to the amount of support customers will lose.</p> <p>Affects all customers receiving support.</p> <p>The national picture is unpredictable and this makes it very difficult to accurately forecast any potential savings.</p> <p>The Council will bear the full cost of collecting additional amounts and this could exceed any savings for TVBC.</p>

3 Risk Management

- 3.1 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.

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 11.2%.
- 4.3 The total amount of CTS awarded over recent years is as follows -

	Total CTS Awarded £M	TVBC share of CTS £M
Outturn 2013/14	£5.375	£0.602
Outturn 2014/15	£4.991	£0.559
Current Forecast 2015/16	£4.744	£0.531

- 4.4 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.

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 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.

7 Legal Issues

- 7.1 The Council must approve the Scheme for 2017/18 by 31 January 2017. The Council may, at the same time, approve the Scheme for future years.
- 7.2 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.

8 Equality Issues

- 8.1 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.

9 Conclusion and reasons for recommendation

- 9.1 This report gives Overview and Scrutiny Committee the opportunity to review the work undertaken by the Panel in respect of a Council Tax Support Scheme for 2017/18.

<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.			
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