

## ITEM 11

## 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 decide whether to commence a review of the Council Tax Support scheme for 2018/19.

### SUMMARY:

- The Overview & Scrutiny Committee considered options made by a Member Panel in respect of the Council Tax Support scheme for 2017/18.
- This report updates the financial information, caseload and the proposed implementation of Universal Credit to enable the Committee to decide whether to commence a review of the Council Tax Support scheme for 2018/19.

### 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 2015 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.
- 1.6 The Member Panel undertook an extensive review and their findings were considered by the Overview & Scrutiny Committee on 2 December 2015 and on 13 April 2016.

## 2 Background

- 2.1 The Overview & Scrutiny Committee reviewed the findings of the Member Panel in respect of the Council Tax Support scheme for 2017/18. The options considered by the Member Panel are shown at Annex 1.
- 2.2 The Committee resolved the following:
- That the current level of support for 2017/18 continue and review in 12 months time once more claims for Universal Credit were in payment and the impact of the April 2016 Housing Benefit and Tax Credit changes were known.
- 2.3 The Council Tax Support caseload figures previously provided to the Committee have now been updated as follows:

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	<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>
11/08/16	2588	570	1175	480	695	<b>5508</b>
<b>Current</b>	2566	556	1210	490	669	<b>5491</b>

- 2.4 On 16 November 2016, the Council received notice from the Department for Work and Pensions that the roll out of the Universal Credit live service for Jobcentres affecting Test Valley residents will be:
- February 2017      Southampton
  - June 2017          Salisbury
  - July 2017           Eastleigh
  - April 2018          Andover & Winchester

- 2.5 This means that until April 2018 a large number of residents will still be making joint claims for Housing Benefit and Council Tax Support.
- 2.6 Given the size and scope of the Universal Credit project and previous slippages in the implementation timetable there is no guarantee that the date will be met. The Department for Work and Pensions have an ambitious timetable to deliver the new Universal Credit Live Service into 50 Jobcentres per month from October 2017.
- 2.7 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 Council Tax Support linking to Universal Credit assessments once a separate Housing Benefit calculation will not need to be made.
- 2.8 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.

### **3 Options**

- 3.1 The Committee is now being asked to consider how it wishes to proceed in terms of any review and recommendations to Cabinet in respect of the scheme for 2018/19. This is because if any changes are to be considered to come into effect from 1 April 2018, the work to evaluate any options will need to begin soon in order that all the necessary consultation and approvals can be completed on time. The options to consider include:
- Continue with the current level of support for 2018/19 and review the scheme in 12 months time once progress against the Universal Credit implementation timetable is known (recommended option).
  - Consult on proposed changes to the 2018/19 scheme for example, to apply a cap of 5%, 10% or 15% making everyone responsible for paying an element of Council Tax.
- 3.2 The options available to the Council and their implications on residents and Council budgets are largely unchanged from the reports presented to OSCOM in December 2015 and April 2016.
- 3.3 An extract from the December 2015 report is attached as an annex which shows the options that could be considered together with officer comments and those of the panel.

#### **4 Risk Management**

- 4.1 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.

#### **5 Resource Implications**

- 5.1 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.
- 5.2 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%.
- 5.3 The overall level of CTS awarded has reduced over recent years. This is a reflection of maintained Council Tax levels and a reduction in caseload. The position has changed for at the start of 2016/17 due to an increase in Council Tax levels. The current forecast is that caseload will continue to fall over this financial year and this will offset the additional expenditure raised at the start of 2016/17.
- 5.4 The estimated cost of the Council Tax Support (CTS) scheme in 2016/17 was £4.612M. This was based on the actual caseload in November 2015 and the Council Tax charges prevailing at that time.
- 5.5 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 CTS awarded at the start of 2016/17 was higher than estimated at £4.883M.
- 5.6 The Council's share of the additional cost is estimated to be around £30,000.
- 5.7 The £4.883M above reflects the amount of CTS 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.
- 5.8 Expenditure as at 15 November 2016 has fallen to £4.759M, in line with the expectation that the current trend in reducing caseload will continue throughout the year. This is expected to bring the actual amount payable for the year back to around the level the budget was set at.
- 5.9 It is not expected that the continuation of the existing scheme in 2017/18 will have an adverse effect on the Council's budget.

## **6 Corporate Objectives and Priorities**

- 6.1 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.

## **7 Consultation**

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

## **8 Legal Issues**

- 8.1 The Council must approve the scheme for 2018/19 by 31 January 2018. The Council may, at the same time, approve the scheme for future years.
- 8.2 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.

## **9 Equality Issues**

- 9.1 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.

## **10 Conclusion and reasons for recommendation**

- 10.1 This report gives Overview and Scrutiny Committee the opportunity to decide whether to commence a review of the Council Tax Support scheme for 2018/19 considering the timetable for the rollout of Universal Credit and the financial impact of the 2016/17 scheme.

<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:			
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