

TELFORD & WREKIN COUNCIL

**CABINET - 7th JANUARY 2016
COUNCIL - 21st JANUARY 2016**

COUNCIL TAX SUPPORT SCHEME 2016/17

REPORT OF ASSISTANT DIRECTOR: CUSTOMER SERVICES

LEAD CABINET MEMBER – CLLR LEE CARTER

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 On the 31st March 2013 the national Council Tax Benefit scheme was abolished and replaced with a new system of localised Council Tax Support which requires each billing authority to design and implement its own system for awarding council tax discounts to customers who are on low incomes.
- 1.2 Telford & Wrekin Council's Council Tax Support scheme for 2013/14 was approved by full Council on the 22nd November 2012 and commenced on the 1st April 2013. Each year since then Full Council have approved the recommendation to retain the scheme unchanged.
- 1.3 We are recommending that for 2016/17 we introduce some changes to the scheme that will make some savings to the overall annual cost, as well as making some technical and legislative amendments that are necessitated each year by Government. These recommended changes have been to full public consultation and have been overwhelmingly supported. This recommendation also has the full support of the cross party Joint Customer, Community & Partnership and Finance & Enterprise Scrutiny Committees with whom we frequently consult and involve on many aspects of the Government Welfare Reforms.
- 1.4 The Council Tax Hardship fund has been invaluable over the last two years in assisting us to award help to the most financially vulnerable customers and it is proposed that it continues in 2016/17 and we engage with the specific customers who are affected by the proposed changes to make them aware of the fund.

2. RECOMMENDATIONS

- 2.1 **That Cabinet approve the Council Tax Support Scheme Policy for 2016/17 attached in Appendix A.**
- 2.2 **That Cabinet approve that the Council Tax Hardship Policy and fund of £30,000 continues in 2016/17.**

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	No	
	Will the proposals impact on specific groups of people?	
	Yes	<p>These proposals will impact on all current and future working age recipients of Council Tax Support.</p> <p>There are also a specific group of approximately 500 existing customers who will be impacted by the proposed changes to the scheme.</p> <p>More information about how we are meeting the general equality duty is available in the attached Community Impact Assessment in Appendix B.</p>
TARGET COMPLETION/DELIVERY DATE	<p>The Council Support Tax scheme must be approved by full Council no later than 31st January 2016.</p> <p>The 2016/17 Council Tax Support scheme will commence on the 1st April 2016.</p>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	
<p>FINANCIAL/VALUE FOR MONEY IMPACT</p> <p>Funding for Council Tax Support (CTS) is included within the overall grant funding the Council receives from Central Government but is not separately identifiable. As the Government continues to cut local government funding, by implication, there is less funding available for CTS. The Government cut the amount of funding it provided when CTS was introduced in 2013/14 which led to the 21% global reduction in CTS given to less-vulnerable, working age claimants although pensioner age claimants were not affected by the changes. The global percentage reduction was 21% in 2014/15 and 2015/16 and the proposal is that it remains at this level for 2016/17. Any changes to this in future years would be subject to further consultation.</p> <p>CTS affects the Council's budget as it is given as a discount which reduces the amount of council tax income received and therefore available to fund spending; this impacts on the Council, Police, Fire and Parishes as the reduction is applied to the whole council tax bill.</p> <p>The estimated and current projected costs of the CTS Scheme for 2015/16 are:</p>		

Budgeted CTS Discounts (per tax base) £12.4m
 Latest Projected CTS Discounts £11.9m

The cost of CTS together with other changes to the council tax base position, such as growth in the number of dwellings, feeds into the Council's overall budget strategy. Projections for 2016/17 show that the cost of providing Council Tax Support is expected to continue to fall and a benefit of £720,000 is expected from the decline in claim numbers due to the improving economy and improving employment levels; the reviews being undertaken by the Service Area; and the changes to the scheme recommended in this report. This saving is included in the proposed 2016/17 budget strategy.

Council tax income is accounted for through the Collection Fund and ultimately any CTS over/under spends against budget will feed into the Collection Fund surplus/deficit which is shared between the major precepting authorities (Police, Fire, TWC). Any surplus is available to feed into future budget strategies.

The hardship fund of £0.030m will be accommodated in the 2016/17 budget strategy from within the collection fund as explained above.

Note, the financial implications assume no increase in council tax in 2016/17.

LEGAL ISSUES

Yes

The legal implications are set out in the body of the report. The Council Tax Reduction Scheme Policy must be made in accordance with the Acts and Regulations it is made under. The policy also reflects the recent case law, R(Logan) v Havering LBC 2015 and R (on the application of Moseley (in substitution of Stirling (Deceased)(AP)) v London Borough of Haringey 2014.

The Council Tax Hardship Policy is discretionary.

In looking at the recommendations in this report it is particularly important to note the information at section 4.4.1 which sets out the deadline (31 January 2016) for approving the policy.

Further if the recommendations in the report are not approved and amendments to the policy were to be proposed, a public consultation may be required before such changes could be considered.

If there are any queries in relation to this report or the policy members should not hesitate to raise the same when considering the report and appendices.

TS 24 November 2015

OTHER IMPACTS, RISKS & OPPORTUNITIES

Yes

The wider changes to welfare benefits that have been proposed by the Government may have a financial impact on many of the same residents who are in receipt of Council Tax Support. These proposed changes, the details of many of which are still not clear, may affect their ability to pay their contribution towards their Council Tax.

That said, the improving economic situation has meant that year on year the numbers of residents claiming Council Tax Support is gradually reducing, so this may offset any adverse impact of the national welfare reforms.

IMPACT ON SPECIFIC WARDS	No	Borough wide impact
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PART B) – ADDITIONAL INFORMATION

4. INFORMATION

4.1 Introduction and Background

4.1.1 The Government announced as part of the Spending Review in 2010, that it would localise support for Council Tax from 2013/14, with an expectation that funding would be reduced by 10%.

4.1.2 As a result for 2013/14 there was a gap of around £3.1 million between the amount of Council Tax Support funding we received from the Government and the amount we would need to continue to support customers at the same level as they were receiving under the Council Tax Benefit scheme.

4.1.3 Councils were required to establish local Council Tax Support (CTS) schemes to be implemented on 1st April 2013. This reform of council tax support was accompanied by a new cash-limited government grant to councils which is taken into account in setting the Council Tax Base and when forming the CTS local schemes. The support is in the form of discount shown on the Council Tax demand notice.

4.1.4 Whilst the new regulations provided councils with flexibility to set up their own local arrangements, the Government expressed a clear intention in relation to certain aspects of a local scheme. These include:

- The amount of Council Tax Support awarded to pension age customers will continue to be a national prescribed scheme which will effectively protect them from any reduction in support. Pension age customers account for over 42% of our caseload.
- Councils should also consider ensuring support for other vulnerable groups.
- Local schemes should support work incentives and in particular avoid disincentives to move into work

4.1.5 Telford & Wrekin Council's scheme was introduced on the 1st April 2013 following a wide ranging consultation with residents, stakeholders and partners.

4.1.6 For the most part, our local scheme follows the same basic rules of the default national scheme, with a number of key differences. These are:

- Customers who meet the specific definition of severe disability contained within the policy are protected from any reduction in benefit. This will also apply to customers who meet the criteria for receiving a war compensation related benefit or pension. Currently over 13% of our caseload meet this definition of vulnerability.
- Customers who have in excess of £6,000 in capital are not entitled to Council Tax Support. The previous Council Tax Benefit scheme had an absolute cap of £16,000, but any capital between £6,000 and £16,000 reduced the amount of benefit paid to the customer. The first £6,000 however continues to be disregarded in full.
- The maximum period that an award of Council Tax Support can be backdated is 1 calendar month from the date of the application.
- Under the Council Tax Benefit scheme, if you were the only person in your household liable to pay Council Tax, but another adult in your household had a low income, you may have been able to receive Council Tax Benefit of up to 25%. This could be paid regardless of the relative prosperity of the Tax Payer. This benefit, known as Second Adult Rebate was removed in our local scheme.
- A minimum award of £2.50 a week, removing payment to those claimants that only qualify for relatively small amounts of rebate.

4.1.7 The legislative protection of pension age customers and our own local policy of protecting vulnerable customers mean that any reductions we make to Council Tax Support have to be applied entirely to the 43% of non vulnerable working age customers.

4.1.8 The scheme has remained unchanged since April 2013 and is now in its third year of operation.

4.2 Review of the 2015/16 scheme

4.2.1 A financial review of the 2015/16 scheme to date is included in the "Financial Impact" comments at the start of this report.

- 4.2.2 The freeze on Council Tax again in 2015/16 meant that there was no additional pressure placed on the CTS scheme as awards have not needed to be increased to cover a rise.
- 4.2.3 There are now clear signs that the economy is improving and unemployment levels are reducing. This means that year on year since its introduction, the Council Tax Support scheme has cost us less than we forecast. When the scheme for 2015/16 was approved in January 2015, we forecast that it would cost us £12.403 million. However, we now anticipate that by the end of this year the value of Council Tax Support granted will total £11.903 million, a reduction of £0.5 million.
- 4.2.4 In addition to the natural reduction in claimant levels, another significant factor that has contributed to the reduction in cost is the proactive work that the Benefit Service has undertaken to reduce the amount of fraud and error in the system.
- 4.2.5 Since December 2013, the Benefit Service has been undertaking a review of customer's circumstances to identify any unreported changes in circumstance. We have reviewed the circumstances of 7,600 claimants so far and identified unreported changes of circumstances totalling £0.7 million. So far during 2015/16 we have reduced Council Tax Support costs by £0.15 million by ensuring that customers are only receiving the support that they are genuinely entitled to. We intend to continue to review approximately 600 cases per month until our entire customer base has had at least one review of their circumstances.
- 4.2.6 The 21% reduction in CTS introduced in 2013/14 was a significant decrease in the amount of support granted in the previous Council Tax Benefit scheme, however since Year 1 the vast majority of Local Authorities have also reduced their CTS awards by similar levels as a result of the reduction in Government funding and many have reduced the support available even further.
- 4.2.7 Council Tax collection rates are very positive overall, with a significant increase in the value of Council Tax collected compared to previous years. There are a group of Council Tax Support claimants, namely those that are of working age but unemployed, for whom collection is significantly lower than other customer groups. However, there are still a significant percentage of that group who are paying. Any decision to increase the level of support for this group would require a comparative reduction in the level of support provided to other groups of claimants, such as those in low paid employment. Also as 2013/14 was the first year that this group of people were asked to make any Council Tax contribution at all it was felt that the overall collection level for the group may increase as they become more accepting of the fact that they have to make some Council Tax payment.
- 4.2.8 As part of the 2013/14 scheme, a one off hardship fund of £65,000 was set aside to provide additional assistance to Council Tax Support

claimants who were genuinely having difficulty paying the additional charges as a result of the reduction in support awarded. For 2014/15 approval was granted for unspent funding to be rolled forward to enable the scheme to continue for a second year. A further £30,000 was approved to fund hardship awards for 2015/16.

The Council Tax hardship scheme had been invaluable in providing additional support to the most vulnerable customers, and it is therefore recommended that this scheme be funded for a further 12 month at a cost of £30,000.

The policy for awarding Council Tax hardship was approved by Cabinet in March 2015 alongside the Discretionary Housing Payment Policy.

4.3 Proposed scheme for 2016/17

4.3.1 If we were to retain the current scheme for another year, then we forecast that, taking into account the natural reduction in caseload and our continued proactive work to reduce fraud and error, the scheme will cost us £11.780 million for 2016/17, which is £0.62 million less than the budgeted costs of the scheme in 2015/16, and £0.12 million less than the actual cost this year.

4.3.2 However, given the forthcoming financial challenges that the Council will face in the coming years, a member/officer working group was formed to consider all options for the design of the scheme and develop proposals to ensure that we continued to deliver fair but affordable support. The group also developed a number of realistic alternative proposals that could form part of a public consultation that offered a genuine range of options.

4.3.3 The proposed scheme for 2016/17 is based on five key principals:

- If people are to receive less money in Council Tax Support the impact should be shared as equally as possible across all working age claimants.
- Vulnerable people should be protected from changes that would mean they receive less money in Council Tax Support. The Council recognises that severely disabled claimants often have less money and find it difficult to pay Council Tax. This could be because of higher disability related living costs and in some cases, a limited ability to work.
- The needs of people with children or caring responsibilities should be recognised in relation to Council Tax Support.
- The scheme should ensure that there are incentives to encourage people to start or remain in employment.
- We will not make changes that ask people to pay unrealistic and unaffordable levels of Council Tax.

4.3.4 Using these principals, the working group explored and considered a range of options for the design of the scheme, which included modelling the impact of reducing the amount of Council Tax Support granted from the current 21% reduction up to a reduction of 40%.

4.3.5 The findings of the working group were that:

- The current scheme is working well, and the changes that were introduced in 2013 have been generally accepted by the majority of Council Tax Support claimants. Overall it has not had a significant negative impact on Council Tax collection.
- Retaining the core design of the national default scheme enables us to administer the scheme in the most cost effective way as we are able to assess a customer's Housing Benefit and Council Tax Support entitlement as one transaction.
- Over the course of the next four years, the Government will be making further significant cuts to welfare benefits which will affect many of the customers receiving Council Tax Support and therefore may risk their ability to pay additional any Council Tax contribution.
- The decision not to increase Council Tax in the Borough, along with the natural reduction in caseload and the work to reduce fraud and error in the system has not placed the scheme under any additional financial pressure.

4.3.6 As a result, we are recommending that the core of the Council Tax Support scheme should remain as it is for 2016/17 and that there is no necessity at the moment to further reduce the amount of support awarded to all working age claimants. However, there are some changes that are being recommended to the scheme that will affect a small number of claimants.

4.3.7 Introduction of an upper limit (a cap) on income from state benefits

In 2013 the Government introduced a limit on the total amount of benefit that most people aged 16 to 64 can get. This is called the benefit cap. The Government believes that it is unfair for people who are not in work to receive more in benefits than the average working family earns in wages. At the moment, each week people on benefits do not receive more than the following:

- £500 per week for couples (with or without children living with them). This is the same as £26,000 per year.
- £500 per week for single parents whose children live with them. This is the same as £26,000 per year.
- £350 per week for single people who have no children living with them. This is the same as £18,200 per year.

From April 2016, the Government have announced that the upper limit for benefits will be reduced to:

- £20,000 per year for couples and single parents whose children live with them.
- £13,400 per year for single people.

We propose to use this same upper limit for our local Council Tax Support and whenever the Government changes their upper limit we will match the upper limit for Council Tax Support.

There are a number of benefits which we will exclude when assessing the total value of benefit received by a household which are listed in detail in the policy document. There are predominantly housing benefit, and benefits associated with disability and health.

4.3.8 Introduction of an estimated minimum weekly income for working age self employed people who have been trading more than 12 months

We know that growing a successful business can be really difficult, especially in the early stages, as it can take time to make a profit. However, year after year many self employed people who receive Council Tax Support report a low income or no income at all despite claiming to be working a minimum of 16 hours a week in their business.

We propose to introduce an estimated minimum weekly income for working age self employed people once they have been self employed for more than 12 months. To help new businesses to grow we will allow a 12 month start up period where the minimum income limit will not apply.

The amount of minimum weekly income will be the equivalent of 30 hours per week at the National Minimum wage (for people under 25 years of age) or the National Living Wage (for people aged 25 or over), less deductions for Tax and National Insurance.

This minimum weekly income will be used to calculate Council Tax Support when the claimant declares an income from their self-employed business that is less than this amount.

Any customers who are genuinely operating their own business and cannot afford to pay any additional Council Tax contribution requested as a result of this change can make an application to be considered for a Council Tax Support hardship award.

4.3.9 The removal of the 'Family Premium' from the assessment of Council Tax Support

When we work out the Council Tax Support for people where there is a dependant child in the household, we allow an extra £17.45 per week in the needs allowance that we use to assess entitlement. This is called the 'Family Premium'.

The Government has said that they are going to remove the Family Premium for new claims and new births within the assessment of Housing Benefit from April 2016 and we are proposing to mirror this change within the assessment of our local Council Tax Support scheme too.

This will not affect any current families who will continue to receive the Family Premium in their needs allowance.

4.3.10 The combined affect of these changes to the scheme is a forecasted reduction in costs of £0.241 million per year, therefore, along with the predicted reduction in caseload the forecast cost of the scheme for 2016/17 is £11,539,162.

4.4 Consultation and approval of the policy for 2016/17

4.4.1 It is a requirement within the legislation that each year, the Council Tax Support scheme for the forthcoming financial year must be approved by Full Council no later than the 31st January. This is required even if the decision is made to retain the existing scheme.

4.4.2 The CTS scheme must go through certain steps to comply with provisions in the Local Government Finance Act before it can be adopted by the Council, these are;

- Consultation with major precepting authorities (Police, Fire Service)
- Public Consultation

In October 2014 a Supreme Court judgement against the London Borough of Haringey found that their public consultation on their proposed Council Tax Support scheme was insufficient as although it gave consultees an explanation of the proposed scheme, it did not give full and realistic alternatives, or give reasons for proposing its draft scheme.

4.4.3 A full public consultation on proposed changes to our Council Tax Scheme for 2016/17 was undertaken from the 9th August to the 23rd October 2015. As well as consulting with local residents generally, we also wrote specifically to the 500 customers who we believed would be directly affected by our proposed scheme. We also consulted directly with the major precepting authorities (West Mercia Police and Shropshire Fire and Rescue Service) and all Parish Councils, as well as key stakeholders such as the CAB and social sector landlords.

4.4.4 The consultation document (Appendix D) provides an explanation of the financial challenge that the Council is facing and our proposed scheme for 2016/17 along side 3 alternative options

- Option B – Continue with the current Council Tax Support scheme

- Option C – Return to providing up to 100% Council Tax Support calculated in a similar way to the Council Tax Benefit scheme that was abolished in 2013
- Option D – Increase the minimum contribution that working age claimants pay from the current 21% to 25%

4.4.5 594 responses were received to the consultation. Throughout the consultation, responses showed that consultees were overwhelmingly in support of all of the proposals and recommendations that we made. In particular, 77.8% of responses agreed with our recommendation to introduce our recommended proposed changes to the scheme. The summary of the consultation responses is included (Appendix E).

4.4.6 As part of the public consultation we asked for views on a proposal regarding future consultation.

Our intention is to only consult on our future Council Tax Support scheme once every four years.

Public consultations on plans and proposals can cost a lot of money, because of this we would like to only consult on our scheme once every four years after our Council elections, unless we intend to make any changes before then. If we intend to make changes to the scheme we will consult residents and taxpayers before any changes are made.

Over 77% of respondents were in support of this proposal.

4.4.8 During the consultation period, the cross party Joint Customer, Community & Partnership and Finance & Enterprise Scrutiny Committees met with Officers and Cabinet members to consider the proposed scheme and all of the alternative options. The scrutiny response is which is provided as an appendix to this report (Appendix C) and gives unanimous support for the proposed scheme.

4.4.9 Each year The Department for Communities and Local Government issue a set of CTS scheme regulations that will apply to pension-age claimants as they are not included within our local scheme. This is referred to as The Prescribed Scheme. Although the regulations for the 2016/17 prescribed scheme have not yet been passed, we are not anticipating any significant changes from the DCLG other than technical changes they intend to make to the pension age scheme and annual uprating.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

5.1 These proposals will impact on all current and future working age recipients of Council Tax Support.

5.2 There are also approximately 500 households who will be specifically affected by the changes that we are proposing and who will see a reduction in the amount of Council Tax Support received. All of these households were written to directly as part of the consultation process

and encouraged to give their views on the proposals. Subject to the proposed scheme being approved, we will again contact all of the affected households to tell them how the changes will affect them and offer them advice and support, including considering whether it is appropriate to offer them some assistance from the Council Tax Support hardship fund.

- 5.3 A full Community Impact Assessment of the proposal has been undertaken and is provided (Appendix B).

6 PREVIOUS MINUTES

- 6.1 Minute 47i of the Council meeting of 22nd January 2014 (Localised Council Tax Support Policy 2015/16)
- 6.2 Minute CB-113 of the Cabinet meeting of 19th March 2015 (Discretionary Housing Payment and Council Tax Support Hardship Policy)

7. BACKGROUND PAPERS

Appendix A - Council Tax Reduction Scheme Policy under S13a (s) and Schedule 1a of the Local Government Finance Act 1992 (DRAFT – FINAL VERSION WILL NOT BE AVAILABLE UNTIL EARLY JANUARY 2016)

This document is available to view on the Council website from the following link

<http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Meeting/MTM0MQ%3d%3d>

Appendix B – Community Impact Assessment (undertaken November 2015)

Appendix C - Scrutiny response to consultation

Appendix D - Council Tax Support consultation document

Appendix E - Council Tax Support consultation response summary

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