

TELFORD & WREKIN COUNCIL**CABINET - 5TH JANUARY 2017
COUNCIL - 19TH JANUARY 2017****COUNCIL TAX SUPPORT SCHEME 2017/18****LEAD CABINET MEMBERS - CLLR LEE CARTER & CLLR PAUL WATLING****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, apart from last year (2015/16) where a Self Employed minimum income and Council Tax Support Cap were introduced.
- 1.3 We are recommending that for 2017/18 we introduce some changes to the scheme that will make 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 supported; in particular they have been supported by constituents currently in receipt of Council Tax Support, who will be directly affected.
- 1.4 In addition to the technical changes that retain the synergies between the Housing Benefit scheme and the Council Tax Support scheme we are recommending to further reduce the amount of support awarded to all working age claimants, by increasing the percentage reduction amount from 21% to 25%. We are also proposing to replicate changes that the Government are making to the Housing Benefit scheme by introducing a cap on the number of children who are included in the assessment of entitlement, reducing the temporary absence rule to four weeks . We are proposing that this scheme will then stay in place until March 2020, unless Government Policy changes significantly.
- 1.5 The Council Tax Hardship fund has been invaluable over the last three years in assisting us to award help to the most financially vulnerable customers and it is proposed that it continues in 2017/18 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 recommend that Full Council approve the Council Tax Support Scheme Policy for 2017/18 attached in Appendix A.
- 2.2 That Cabinet recommend that Full Council approve the continuation of the Council Tax Hardship Policy and accompanying funding..

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	These proposals will impact on all current and future working age recipients of Council Tax Support.
TARGET COMPLETION/DELIVERY DATE	The Council Support Tax scheme must be approved by full Council no later than 31 st January 2017. The 2017/18 Council Tax Support scheme will commence on the 1 st April 2017.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	

FINANCIAL/VALUE FOR MONEY IMPACT

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 for CTS when the responsibility to design localised Council Tax Support Schemes was passed to Local Authorities in April 2013/14. This led to the 21% global reduction in CTS given to less-vulnerable, working age claimants, although pension age claimants were not affected by the changes. The percentage reduction remained at 21% in 2014/15, 2015/16 and 2016/17.

The Council has faced unprecedented cuts to funding from Central Government together with increasing demands for services, such as looking after vulnerable children and adults, which have resulted in savings totalling £96m being required over the past 8 years in order to set a balanced budget. The 2016/17 savings package included a proposal to reduce the costs of the Council Tax Support scheme by £0.235m. The combination of reduced claimant numbers and changing the percentage reduction rate to 25% will deliver this saving.

	Estimated Cost of CTS Discounts £m
2017/18 Estimated Cost @ 21% percentage reduction	12.36
2017/18 Estimated Cost @ 25% percentage reduction and reduction in caseload	12.01
Saving applied to Total Council Tax	(0.35)
Saving applied to T&W element of Council Tax (77%)	(0.27)
Note: 3.2% CT Increase assumed in 17/18	

The Service Area will continue to review benefit entitlement which should lead to further reductions

in CTS in the future.

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.

Council tax income is accounted for through the Collection Fund and ultimately any CTS over/underspends against budget will feed into the Collection Fund surplus/deficit which is shared between 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 2017/18 budget strategy from within the collection fund.

PH 24/11/2016

LEGAL ISSUES	Yes
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Council Tax Support Scheme

Section 13A of the Local Government Finance Act 1992 (the 1992 Act) places a duty on the Council to make a scheme specifying the reductions to council tax for:

- Those persons whom the authority considers to be in financial need, or
- Those persons in classes consisting of persons whom the authority considers to be, in general, in financial need

The Scheme must be approved by full Council by 31 January preceding the start of the financial year it relates to.

The 1992 Act states that before making, revising or replacing a scheme the authority must (in the following order):

- Consult any major precepting authority which has power to issue a precept to it,
- Publish a draft scheme in such a manner as it thinks fit, and
- Consult with such other persons as it considers are likely to have an interest in the operation of the scheme.

In exercising its decision making powers Cabinet must be satisfy its public law duties. This means that in making the decision Cabinet must take into account only relevant considerations, follow procedural requirements, act for proper motives and not act unreasonably.

Consultation has been undertaken in respect of these proposals. The general legal principles that must be followed when carrying out a consultation and when making a decision where consultation has taken place are well established and can be summarised as follows:

- The consultation must be at a time when proposals are still at a formative stage.
- The proposer must give sufficient reasons for any proposal to enable intelligent consideration and response. Those consulted should be aware of the criteria that will be applied when considering proposals and which factors will be considered decisive or of substantial importance at the end of the Consultation process
- Adequate time must be given for consideration and response.
- The product of consultation must be conscientiously taken into account in finalising any proposals.

Cabinet must satisfy itself that the consultation has been properly conducted in line with the principles above. In addition, Cabinet must ensure that it is clear of the outcomes of that consultation and therefore, as decision maker, is able to take the results fully into account when making its decision on the proposals contained in this report.

Whilst there is an obligation to take into account the product of consultation, the outcome of the consultation is one of a number of factors to be taken into account in making the decision. In making its decision Cabinet must both look at the outcome of the consultation and also set out the weight that was attached to it in relation to/balanced with other factors (which must be recorded as part of its decision).

In making its decision, Cabinet must also have due regard to the Public Sector Equality Duty as set out at S149 of the Equality Act 2010, which states:

“(1) A public authority must, in the exercise of its functions, have due regard to the need to—
(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it... “

To assist Cabinet in respect of the Public Sector Equality Duty, an equality impact assessment has been carried out. Cabinet must conscientiously take into account the outcome of the assessment in reaching its decision.

Council Tax Hardship Policy and Fund

The Localism Act 2011 provides local authorities with a “general power of competence” which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. A purpose of the Act is to enable local authorities to work in innovative ways to develop services that meet local need. The proposed scheme falls within the general power of competence. In addition, there is no specific statutory prohibition, preventing the Council from implementing the proposed scheme. The Council therefore is empowered to produce, implement and administer the council tax hardship scheme detailed in this report.

Section 13A (1)(c) of the 1992 Act provides that the amount of council tax which a person is liable to, may be reduced to such extent as the billing authority for the area in which the dwelling is situated thinks fit. The Council, as a billing authority may reduce a person’s council tax liability relating to a Telford & Wrekin residence, as it thinks fit. Any decision under the hardship scheme, to reduce an applicant’s council tax liability, is an exercise of this general discretion. The Hardship Scheme therefore informs the Council’s exercise of this power, in respect of a person who has made an application for assistance under the hardship scheme meeting the eligibility criteria. The Council is therefore empowered to make the council tax reductions under the hardship scheme.

PM 28.11.16

OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	
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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 43% 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 14% 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.
- There is an upper limit (a cap) on income from state benefits: People in receipt of benefits can not receive more in benefits than the average working family.
- There is a minimum weekly income for working age self employed people who had been trading for more than 12 months: After 12 months of trading a minimum weekly income is used to calculate Council Tax Support when income declared from their self-employed business is less than 30 hours per week at the National Minimum wage (for people under 25) or the National Living wage (for people aged 25 or over).
- Removal of the Family Premium from the assessment: The Government said that they were removing the Family Premium for new claims and new births within the assessment of Housing Benefit from April 2016, we made these amendments in our local Council Tax Support scheme too.

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.

4.2 Review of the 2016/17 scheme

- 4.2.1 There are still continuing 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 2016/17 was approved in January 2016, we forecast that it would cost us £12.04 million. However, we now anticipate that by the end of this year the value of Council Tax Support granted will total £11.9 million, a reduction of £0.140 million.
- 4.2.2 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.
- 4.2.3 Since December 2013, the Benefit Service has been undertaking a review of customer's circumstances to identify any unreported changes in circumstance. So far during 2016/17 we have reduced Council Tax Support costs by £53,500 by ensuring that customers are only receiving the support that they are genuinely entitled to.
- 4.2.4 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.

Many Local Authorities have set their reduction level at 25% and higher (35% in one LA) as their schemes have developed year on year.

4.2.5 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.

4.2.6 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, and 2016/17.

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 2017/18

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, plus a Council Tax increase of 3.2% the scheme will cost us £12.234 million for 2017/18, which is £194k more than the budgeted costs of the scheme in 2016/17, and as stated this included a Council Tax increase in the expenditure.

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 2017/18 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 30%.
- 4.3.5 The findings of the working group were that:
- In January 2016, as part of the Council Budget consultation, the public were consulted on a range of proposals to make the cuts the Council must find. This included a proposal to cut £235k from the Council Tax Support scheme, this proposal was agreed.
 - 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. By moving to a 25% reduction, which is the minimum percentage that can be implemented to achieve the above £235k agreed saving, the impact on customers; an additional 60p per week to pay towards their Council Tax, is low.
 - 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.
 - Moving to a 25% reduction in the amount of Council Tax Support that can be granted, generates a £270k saving to the Council that can be used to protect frontline services; With £200,000 the Council could provide one of the following:
 - 14,000 hours of home care which could help 18 older people stay at home
 - External fostering places, through private agencies, for 4 children each year
 - Internal fostering places for 9 children each year
 - Filling 3,799 pot holes each year
 - 109 winter maintenance gritting treatments for frost and ice or 28 full snow clearing and gritting
 - Emptying 2,440 public litter bins across the borough for 19 months
 - Weekly collection of 5,137 households residual and green waste each year
 - By retaining the £30k Council Tax Hardship fund, the Council can continue to support customers who are in true hardship and unable to meet their Council Tax liability.
- 4.3.6 As a result, we are recommending that the Council Tax Support scheme should change for 2017/18 and that there is the necessity at the moment to further reduce the amount of support awarded to all working age claimants, by increasing the percentage reduction amount from 21% to 25%. We are proposing that this scheme will then stay in place until March 2020, unless Government Policy changes significantly. There are some other changes that are being recommended to the scheme that will affect a small number of claimants.
- 4.3.7 **New claims will only take into account a maximum of 2 dependant children per family.** The Government has said that they are going to limit benefit support by only taking into account a maximum of 2 dependant children per family; this will apply in Universal Credit, Tax Credits and Housing Benefit to families who make a new claim from April 2017.

We are proposing to do the same within the assessment of our local Council Tax Support scheme.

This will not affect any current claims, only new claims from April 2017.

4.3.8 **Introduce reduced temporary absence rules.**

In 2015, the Chancellor announced that changes would be made to the temporary absence rule in Housing Benefit and Pension Credit reducing the allowable period of temporary absence outside Great Britain from 13 weeks to 4 weeks.

This limit applies to new periods of absence only. There are exceptions where an absence is in relation to;

- The death of a partner, child or close relative
- Receiving medical treatment
- A person who has fled their home due to fear of violence
- A member of Her Majesty's forces posted overseas

We are proposing to include the same amendment to our Council Tax Support scheme

4.3.9 **Currently all working age customers who receive Council Tax Support (unless they are a pensioner or classed as vulnerable) pay 21% of their Council Tax bill (after appropriate discounts have been awarded). We are proposing this will move to 25% of the bill.**

This change would affect 6,431 working age households in the Borough receiving Council Tax Support. All of these customers were contacted directly during the consultation and encouraged to participate in the survey. Many of whom did take part; 68% of all respondents agreed with the proposal to move to a 25% reduction, of which 67.7% were in receipt of Council Tax Support themselves and still agreed with this cut.

In our current scheme, a single person aged over 25 receives Job Seekers Allowance at £73.10 per week; an average Council Tax bill (with a Single Person Discount) is £14.83 per week, or £771.16 per year (after a Single Person Discount of £257.02 per year has been applied). This customer would currently pay a contribution of £3.11 per week or £161.72 per year.

If we were to implement this, and increase the amount of the bill that has to be paid from 21% to 25%, then this resident would have to pay 3.71 per week, which is an additional 60p a week. Over a year this resident would pay a total of £192.92, which is an additional £31.20.

Of the 15,196 households who currently receive Council Tax Support 6,431 would see a reduction in the amount of support they receive. We will contact each of these households and provide them with support to adjust to the change in Council Tax Support and where appropriate provide assistance from our discretionary hardship fund.

By increasing the amount people have to pay towards their Council Tax bill the Council would save approximately £270,000 per year. In the current climate, and bearing in mind the cuts that we now have to make, we are recommending this increase as the fairest way to reduce the costs of the scheme whilst protecting vulnerable households.

4.4 **Consultation and approval of the policy for 2017/18**

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 2017/18 was undertaken from the 8th September 2016 to the 1st November 2016. As well as consulting with local residents generally, we also wrote specifically to the 6,446 (relevant caseload at the start of the consultation, this has since decreased) 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 C) provides an explanation of the financial challenge that the Council is facing and our proposed scheme for 2017/18 along side 2 alternative options
- Option B – Continue with the current Council Tax Support scheme
 - Option C – Increase the minimum contribution that working age claimants pay from the current 21% to 30%
- 4.4.5 404 responses were received to the consultation. Throughout the consultation, responses showed that consultees were in support of all of the proposals and recommendations that we made. In particular, 68% of responses agreed with our recommendation to introduce our recommended proposed changes to the scheme. The summary of the consultation responses is included (Appendix D).
- 4.4.6 As part of the public consultation we also made clear that we would not be consulting on the scheme until 2020.

We are proposing to make the following changes to our scheme from 1 April 2017, this scheme will then remain in place until March 2020 unless government policy changes significantly.

Public consultations on plans and proposals can cost a lot of money, last year we consulted on only doing a consultation if we intended to make changes to the scheme.

- 4.4.7 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 2017/18 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 6,500 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 66iii of the Council meeting of 21st January 2016 (Localised Council Tax Support Policy 2016/17)
- 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
(view online at <http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Meeting/MTQ2Mg%3d%3d>)
- Appendix B – Community Impact Assessment (undertaken November 2016)
- Appendix C - Council Tax Support consultation document
- Appendix D - Council Tax Support consultation response summary

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