



TELFORD & WREKIN COUNCIL

**CABINET - 7 DECEMBER 2017
COUNCIL - 11 JANUARY 2018**

COUNCIL TAX SUPPORT SCHEME 2018/19 AND COUNCIL TAX SUPPORT HARDSHIP POLICY

LEAD CABINET MEMBERS: CLLR LEE CARTER & CLLR RICHARD OVERTON

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 through to 2015.
- 1.3 For the last 2 financial years; 2016/17, and 2017/18, the scheme was approved with amendments. For 2016/17 these changes were a Self Employed minimum income and a Council Tax Support Cap. For 2017/18 these changes were a maximum of 2 dependent children per family being included in the calculation, reduced temporary absence rules, and an increase in the customer contribution to 25% towards their Council Tax Bill.
- 1.4 In last year's public consultation, we proposed that the current scheme would stay in place until March 2020, unless Government Policy changes significantly. We are therefore not proposing any local changes to the scheme for 2018/19 that will effect entitlement, although there are technical changes required to keep the scheme functioning in line with the wider welfare benefits system.
- 1.5 The Council Tax Hardship fund has been invaluable over the last five years in assisting us to award help to the most financially vulnerable customers and it is proposed that it continues in 2018/19 with a minor amendment that will allow a larger number of customers to qualify for assistance.

2. RECOMMENDATIONS

- 2.1 That Council note the Council Tax Support Scheme Policy for 2018/19 attached in Appendix A, and the financial impact in this report.
- 2.2 That Council approve the revised 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 2018. The 2018/19 Council Tax Support scheme will commence on the 1 st April 2018.	
FINANCIAL/VALUE FOR MONEY IMPACT		

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Council Tax Support (CTS) is given as a council tax discount i.e. it reduces the council tax bill which in turn reduces the amount of council tax income the Council is able to generate. The discount is applied to the whole council tax bill and so CTS impacts on the Council, Police, Fire and Parishes.

Due to Government funding cuts in 2013/14, a 21% global reduction in CTS given to less-vulnerable, working age claimants was applied, although pension age claimants were not affected by the changes. The percentage reduction was increased to 25% in 2017/18 which contributed towards the delivery of savings.

The Council has continued to face 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 £110m being required over the past 9 years in order to set a balanced budget. The 2017/18 savings package included a proposal to reduce the costs of the Council Tax Support scheme by £0.150m by 2019/20 through a programme of reviewing CTS entitlement. As mentioned in the report, £0.050m will be achieved from this review work by the end of 2017/18.

Although overall numbers of CTS claimants have reduced over the past 12 months the mix of claimants has changed which has impacted on costs. This is due to claimant entitlement information now being provided directly from DWP and the introduction of the benefit cap which has resulted in an increase in the number of vulnerable claimants who receive 100% CTS (the number of *Vulnerable* claimants increased by 982 between July 2016 and the end of September 2017 while the number of *Working Age – Other* claimants reduced).

The current estimated CTS Scheme costs for 2017/18 and 2018/19 are:

2017/18 Projected Cost	£11.9m
2018/19 Projected Cost (incl. 3.2% CT increase)	£12.2m

The cost of CTS together with other changes to the council tax base position, such as growth in the number of dwellings, will be fed into the Council's overall budget strategy.

Around 4% of total council tax income relates to CTS recipients. Overall, council tax collection rates remain high and current collection figures for 2013/14 (the first year of CTS) are 99.38%. Collection will continue to be monitored and reported through the regular financial management reports presented to Cabinet.

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 2018/19 budget strategy from within the collection fund.

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LEGAL ISSUES

No

The Local Government Finance Act 2012 requires that for each financial year, each billing authority must consider whether to revise its Council Tax Support Scheme or to replace it with another scheme.

The review of the current scheme as approved by Full Council in January 2017 has established that the scheme continues to deliver on its original objectives and at this time there is no compelling reason to make any amendments other than to adjust annually in line with the uprating of welfare benefits and any amendments to national benefit regulations.

Consultation on and approval of the continuation of the existing Scheme is not required as no changes are being made to the scheme itself at this stage. Where changes are made to the scheme, regulations stipulate that all those affected or who could be affected should be consulted.

OTHER IMPACTS, RISKS & OPPORTUNITIES

Yes

The wider changes to welfare benefits that have been implemented by the Government over previous years may have a financial impact on many of the same residents who are in receipt of Council Tax Support. These changes 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

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 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 cannot 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.
- New claims will only take into account a maximum of 2 dependent children per family.
- Introduced new reduced temporary absence rules from April 2017, in line with Housing Benefit and Pension Credit amendments.

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 37% of non-vulnerable working age customers.

4.2 Review of the 2017/18 scheme

4.2.1 There are 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 2017/18 was approved in January 2017, we forecast that it would cost us £12.01 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 £0.2 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 2017/18 we have reduced Council Tax Support costs by £8,306 by ensuring that customers are only receiving the support that they are genuinely entitled to, by the end of this financial year we will have hit our target of £50,000 reduction as we have a detailed plan of review work drawn up to the end of the March 2018.

4.2.4 It must be noted that although the overall number of CTS customers have reduced, and continues to do so year on year, over the past 12 months there has been a shift in the mix of customers in receipt of CTS. We now have an increased number of customers that meet the criteria for our vulnerable scheme. The number of vulnerable claimants increased by 982 between July 2016 and the end of September 2017 while the number of Working Age – Other claimants reduced.

4.2.5 The change in our caseload make up is attributable to 2 main factors. Since November 2016, we have automated Department for Work and Pensions information on disability benefits downloading directly into our system which ensures a customer is correctly categorised in the vulnerable scheme rather than relying on the customer to notify us of their change of circumstance.

4.2.6 The Government also introduced a reduced Benefit Cap from December 2016, which put a lower cap on the amount of weekly benefits that could be claimed by one household. One of the exemptions from this cap, is entitlement to certain disability benefits. Therefore to avoid the cap many customers claimed their entitlement to disability which they had not previously applied for, which led to a shift in caseload.

- 4.2.7 The 21% reduction in CTS introduced in 2013/14, and the increase to 25% in 2017/18 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.
- 4.2.8 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.
- 4.2.9 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 each following subsequent year.

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.

- 4.2.10 Take-up does however remain low for Council Tax Support Hardship. This is because currently a customer must be in receipt of some Council Tax Support, no matter how minimal, to qualify. However, customers who have been subject to the benefit cap are nulled from the scheme. Therefore we are recommending that our hardship scheme be amended for 2018/19 to allow us to help these customers. Additionally, we will become more proactive in using our Council Tax Support Hardship scheme to assist customers who are struggling to pay arrears relating to previous years council tax.

4.3 Proposed scheme for 2018/19

- 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 planned Council Tax increase of 3.2% the scheme will cost us £12.169 million for 2018/19.
- 4.3.2 The scheme for 2018/19 retains the five key principals that have applied across all of our schemes to date:
- 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.

4.3.3 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, however we are proposing a slight amendment to the policy which allows us to help customers who are not entitled to council Tax support specifically because of the benefit cap.

4.3.4 We are recommending that the Council Tax Support scheme should not change for 2018/19.

4.4 Consultation and approval of the policy for 2018/19

4.4.1 It is a requirement within the legislation that any changes to the Council Tax Support scheme must be approved by Full Council no later than the 31st January proceeding the financial year it applies to.

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 if amendments are being made to the scheme

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 part of the public consultation we also proposed that we would not consult again on the scheme until 2019 at the earliest.

4.4.4 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 2018/19 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 continue to impact on all current and future working age recipients of Council Tax Support. There are approximately 5,500 working age recipients.

5.2 A shortened Community Impact Assessment of the scheme has been undertaken and is provided following last year's full Impact Assessment of the changes to the scheme (Appendix B).

6 PREVIOUS MINUTES

- 6.1 Minute 71 (ii) of the Council meeting of 19th January 2017 (Localised Council Tax Support Scheme 2017/18)
- 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 **NOT YET ATTACHED AS PRESCRIBED REGULATIONS NOT RELEASED FROM DCLG**
- Appendix B – Community Impact Assessment (undertaken October 2017)
- Appendix C - Discretionary Housing Payment and Council Tax Support Hardship Award Policy 2018

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