

**STRATEGY AND RESOURCES COMMITTEE**  
**17 NOVEMBER 2015**

**LOCAL COUNCIL TAX SUPPORT SCHEME 2016/17**

<u>Report of the:</u>	Head of Revenues and Benefits
<u>Contact:</u>	Judith Doney
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	
<u>Annexes/Appendices (attached):</u>	Annexe 1 – SPCC Consultation letter Annexe 2 – SCC consultation letter Annexe 3 – Council Tax Support Consultation summary report Annexe 4 – SPCC response to consultation Annexe 5 – SCC response to consultation Annexe 6 – Community Equality Impact Assessment Annexe 7 – Current Discretionary Hardship Policy
<u>Other available papers (not attached):</u>	Strategy & Resources Committee Report 24 June 2015 Strategy & Resources Committee Report 27 November 2012 (detailing Surrey Framework scheme) Institute for Fiscal Studies Briefing Note 175

**REPORT SUMMARY**

**This report asks the Committee to recommend to Council a Local Council Tax Support Scheme for the 2016/17 financial year.**

**RECOMMENDATION (S)**

- (1) That the Committee advise which option they wish to recommend to Council for the Local Council Tax Support scheme from 2016/17:-**

**Option A – continue with the current scheme for a further year with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016.**

*Notes*

<p><b>Option B – increase the percentage minimum payment on the current scheme to 25% for the 2016/17 financial year with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016.</b></p> <p><b>Option C - increase the percentage minimum payment on the current scheme to 30% for the 2016/17 financial year with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016.</b></p> <p><b>(2) Recommends to Council the continuation of the Discretionary Hardship Fund for exceptional cases, reducing the provision to £25,000 per year.</b></p> <p><b>(3) Notes the findings of Community Equality Impact Assessment.</b></p>	
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## **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

1.1 The Council's Safer and Stronger Communities service plan includes the following target :-

- Managing the changes in welfare benefit in a way that reduces the impact in the most vulnerable

## **2 Background**

2.1 Prior to April 2013, a national Council Tax Benefit Scheme was in operation. When someone was awarded Council Tax Benefit, the Government paid a corresponding sum to the Council, so that the full Council Tax bill was paid.

2.2 Since April 2013, Council Tax Benefit was abolished. It is for local authorities to determine their own Council Tax Support Scheme. This operates differently from the previous benefit system. Instead, when someone is eligible for support, their Council Tax bill is reduced by the amount of Support awarded. This means that the amount of Council Tax received by the Council is less than the full amount. In the first year of operation, the Government accordingly increased the Revenue Support Grant to include a sum to reflect the likely loss of Council Tax receipts. This sum was calculated having regard to the net amount previously paid in benefits, less 10%. However, as members are aware, the Government has been steadily reducing the overall amount of the Revenue Support Grant each year by 10-15%. Such reductions are expected to continue.

2.3 The Revenue Support Grant is used with other sources of income, such as Council Tax receipts to spend on delivery of services.

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- 2.4 It is not possible to say with any certainty how much of the Revenue Support Grant is to relate to Council Tax Support. The grant is not ring-fenced, and members are able to allocate as much or as little as they consider appropriate to offset the reduction in Council Tax receipts due to the operation of the Local Council Tax Support Scheme.
- 2.5 Each year the Council is now required under the Local Government Finance Act 1992 (as amended) to adopt a local scheme by 31 January for the following financial year. Where significant changes are to be made the Council is required to undertake a consultation with the public and precepting authorities.
- 2.6 The Strategy & Resources Committee on 11 November 2014 recommended a Local Council Tax Support Scheme for 2015/16 based on working age recipients of Council Tax Support making a 20% minimum contribution with the underlying means tested applicable amounts being uplifted by the same percentage as Housing Benefit rates applicable from April 2015. It also agreed the continuation of the Discretionary Hardship Fund to assist those experiencing financial hardship due to the changes and increased the provision by £10,000 to £30,000. On 9 December 2014 the Council approved and adopted the scheme.
- 2.7 At the June 2015 meeting the Committee received a report on the financial impacts of continuing the current scheme for 2015/16 and agreed to consult on potentially increasing the percentage minimum contribution made by working age recipients of Council Tax Support.

### **3 Public consultation**

- 3.1 The Council carried out an eight week public consultation on potential changes to the scheme for the 2016/17 financial year between 27 July 2015 and 20 September 2015.
- 3.2 The consultation questions and feedback summary is attached at Annexe 3.
- 3.3 In a case regarding the consultation carried out by the London Borough of Haringey the Supreme Court gave Judgment giving guidance as to the requirements for a "fair" consultation, and all Councils now have to have regard to the finding of this judgment when undertaking further consultation exercises. Councils are required to detail in their consultation what other options might be available in respect of Local Council Tax Support Schemes, and the reasons why the Council is not proposing to adopt any of these.
- 3.4 Options for covering the shortfall in funding included increasing the amount working age recipients contribute to their Council Tax to 25% or 30%, and the use of other methods of funding the scheme locally such as raising the council tax, using reserves or reducing the funding available for other services. The accompanying notes provided more detail on all options.
- 3.5 Respondents were also asked about whom they considered to be 'vulnerable' residents and whether these people should receive more help towards their Council Tax, including whether the hardship fund should continue.

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- 3.6 The Council used a wide range of methods to communicate and give access to the Council's consultation. In addition to residents, including those in receipt of Council Tax Support, the consultation papers were widely circulated to representative organisations who in the main have responded using the survey with results reflected in the analysis in Annexe 3.
- 3.7 This has resulted in a total of 930 returned questionnaires. 599 of these were received from the Citizens Panel and 331 from other residents. Questionnaires were sent to 1,751 working age recipients of Council Tax Support. 271 of the responses were from those currently in receipt of Support.
- 3.8 On the main question of whether the minimum contribution for working are recipients should be increased 31% stated there should be no increase from the current 20% minimum contribution, 38% agreed that the minimum contribution should increase to 25% and 31% agreed that the minimum contribution should increase to 30%.
- 3.9 For those stating there should be no increase the preferred option for meeting the funding shortfall was through the use of the Council's reserves.
- 3.10 The majority of those respondents in receipt of Council Tax Support stated there should be no increase to the minimum contribution.
- 3.11 On the questions regarding help for vulnerable residents 86% were in favour of giving extra support to vulnerable residents with 58% preferring the use of a continued Hardship fund instead of applying a lower minimum contribution. The main categories of vulnerable residents respondents felt should receive extra support were those with severe disabilities, full time carers of the disabled, elderly or infirm, and those who are long term sick.
- 3.12 Epsom Citizen's Advice Bureau advised: *"schemes that require all working age residents to pay a proportion of their council tax...has led to some of the poorest households...struggling to do so...Frequently the cost of collection increase the debt to financially crippling levels. All this leads to increased debt stress and related health problems...we are seeing an increase in the number of enquiries relating to Council Tax debt... 26% of the workload of our Specialist Debt Advisers ...was to stop or prevent Council Tax bailiff action. Frequently these clients, with Council Tax debt, are unable to pay essential bills and other priority debts"*
- 3.13 Responses from the precepting authorities, Surrey Police and Crime Commissioner and Surrey County Council are attached at Annexe 1 and 2 respectively.
- 3.14 Surrey County Council response suggests a return to the Surrey Framework measures introduced in 2013 and 2014 but with additional changes to reduce the funding gap. The decision to remove certain council tax discounts and exemptions for second homes and empty properties under the Government Technical Reforms was taken in 2013 to offset the funding gap and these changes are still in place and there is no scope to alter these. Of the four other measures suggested we abolished Second Adult Rebate in 2013 and reduced the capital threshold to £10k and backdates to 3 months. Last year we rescinded the Band D restriction which affected fewer residents and affected

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larger families including homeless families the Council had placed in accommodation. The Band restriction also resulted in the majority of spend on the Discretionary Hardship Fund.

- 3.15 Making changes to the criteria for entitlement was explored in previous years, however, it was not expected to result in a marked decrease in the funding gap, made the scheme more complicated for recipients to understand and more complex to administer. It also led to a small number of recipients being disproportionately and excessively financially affected by these changes.
- 3.16 These options have not been considered for this year and did not form part of the consultation undertaken. However, if Committee are minded to look at these options again they can be included in options for the 2017/18 scheme.
- 3.17 County have also raised the issues from the Surrey wide impact report on welfare reforms, which include the local Council Tax Support schemes, where evidence is growing that when less is paid to Support recipients they compensate financially in other areas such as increasing rent arrears and other debts. They have also stated that 'without a full analysis of the 20% minimum contribution introduced in April 2015 Surrey County Council see it as a risk to increase this further without knowing the extent of its impact'. However, Surrey County Council have not offered to assist with any further funding to help with the shortfall.

**4 Evaluation of current scheme**

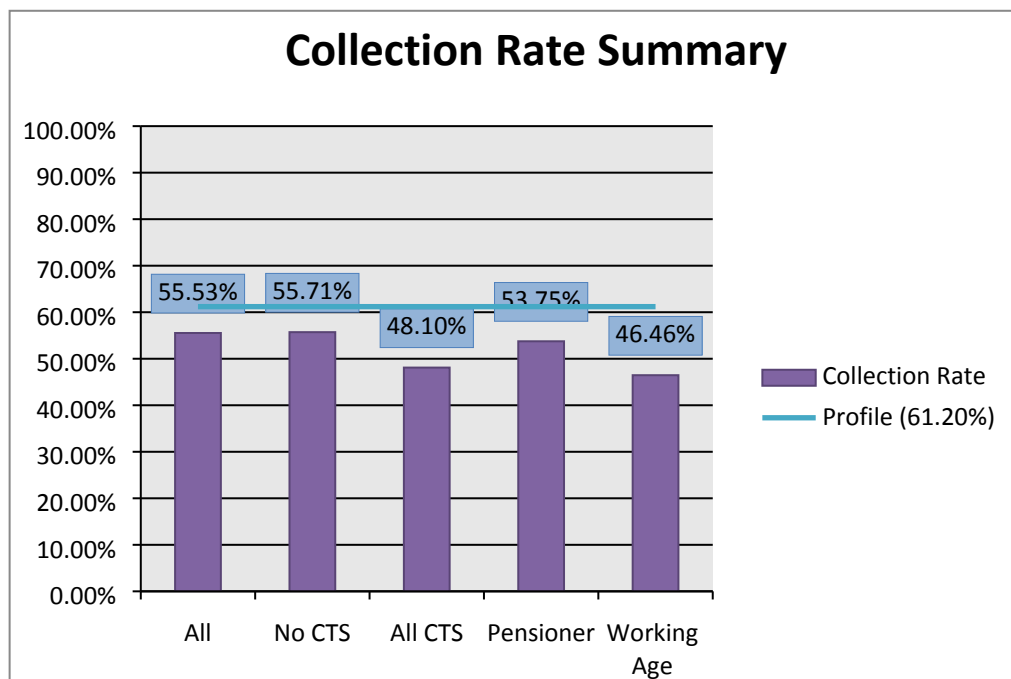
- 4.1 At the June 2015 Committee we agreed to provide details of the effects of the introduction of the 20% minimum contribution for the first few months of this financial year. It should be noted that due to the nature of benefits figures for the year to date are subject to fluctuation and in some case totals will vary.
- 4.2 At the end of May there were 1724 working age claimants in receipt of Council Tax Support of which 1518 also receive Housing Benefit. Details of the number of working age claimants in each ward are shown below for information.

<b>Ward</b>	<b>No. of working age CTS claimants</b>
Auriol	45
College	48
Court	357
Cuddington	94
Ewell	137
Ewell Court	65
Nonsuch	14
Ruxley	257
Stamford	148
Stoneleigh	35
Town	293
West Ewell	138
Woodcote	93
Total	1724

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- 4.3 Under the pre-April 2015 schemes 1085 claimants received full Council Tax Support due to the low level of their income or earnings and have therefore not been used to making any payments toward their Council Tax.
- 4.4 Of the 1724 working age claimants in receipt of Council Tax support: 907 are in receipt of income support, jobseekers allowance or employment support allowance, 654 are employed and of these 213 earn the minimum wage or below and the remaining claimants are on a variety of other benefits such as disability benefits or tax credits.
- 4.5 In respect of the Discretionary Hardship Fund created by the Council 75 applications for assistance were received between 1 April and 30 September. 41 have been awarded help, 24 have been refused and the remaining applications are being processed. A total of £4,915 has been drawn on the fund to date. This compares to £9,920 which was granted for 2014/15 to 41 of the 49 applicants who applied for assistance.
- 4.6 Current Council Tax collection rates are shown at Table 1 below for various categories of taxpayer, those affected by the 20% minimum payment contribution being the working age tabulation. (Please note the profile figure of 61.20% relates to the overall collection target for 30 September.)

Table 1



- 4.7 The current position on Council Tax recovery for working age Support recipients is shown in Table 2 below.

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Table 2

	<b>Number</b>	<b>% of working age</b>
Currently paid as per their Council Tax arrangement (10 or 12 monthly payments)	480	27.5
Reminder(s) issued	867	49.6
Summons issued	371	21.3
No Council Tax paid	224	12.8

- 4.8 If the current level of payments and monthly instalments remained the same we estimate that collection from those in receipt of Council Tax Support could reach 81% by the end of the year which is in line with the forecast provided to Committee last year.

**5 Financial and Manpower Implications**

- 5.1 As reported to the Committee in June any funding from Central Government for the local scheme is now included in the overall grant provided to Epsom & Ewell towards their services.
- 5.2 When the Local Council Tax Support scheme was introduced in April 2013 the government reduced its funding and Epsom & Ewell Borough Council received 337,000 towards the local scheme as part of the Revenue Support Grant (RSG) settlement for 2013/14.
- 5.3 Since then the RSG has been reducing year on year. For 2014/15 we received RSG of £1,435,000 a reduction of 23% on 2013/14 and for 2015/16 RSG of £1,007,000 a reduction of 30%. For 2016/17 we expect a further reduction of £223,000.
- 5.4 Whilst an increase in the minimum contribution payment would generate additional Council Tax income, the amount will depend on the level of collection and as the minimum contribution payment increases we would expect a corresponding reduction in the percentage of Council Tax collected as the table below demonstrates.

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Table 3

	Current year	20% minimum contribution	25% minimum contribution (expected worst case collection)	25% minimum contribution (expected best case collection)	30% minimum contribution (expected worst case collection)	30% minimum contribution (expected best case collection)
Amount of Council Tax to be recovered from Support recipients based on 2015/16 rates	359,497	359,497	377,472	377,472	395,447	395,447
Estimated recovery rate	80%	80%	75%	80%	70%	80%
Forecast Council tax income collectable	287,598	287,598	283,104	301,977	276,813	316,357
EEBC Share of Council Tax Income (11%)	31,636	31,636	31,141	33,218	30,449	34,799

- 5.5 Whilst additional stages in the recovery process have been introduced to give Support recipients having problems with their payments time to make arrangements to pay or to claim a Hardship fund payment the recovery team are already dealing with significantly more cases from this group this year.
- 5.6 In order to secure the debt the Council must obtain a liability order and the recovery team will take this action if there has been no response to reminders or if revised payment arrangements are not adhered to. Once the liability order has been granted by the courts the recovery team will, wherever possible, collect the outstanding Council Tax by deductions from social security benefits, but at £3.70 per week which even on a Band A property would only cover half the annual amount payable. Those not on a benefit are pursued by other methods including bailiff action, however this does not necessarily result in a better rate of recovery and as CAB have pointed out can lead to other priority debts not being paid, such as rental payments.
- 5.7 The recovery team are very aware that actions they may take could affect other services within the council, particularly with regard to homelessness. For example, if a family is in accommodation which, due to benefit changes is no longer affordable, they could be considered unintentionally homeless, even if evicted for rent arrears, and the Council could then have a duty to secure affordable accommodation for them.
- 5.8 The majority of consultation respondents felt that vulnerable residents should receive extra help with their council tax. A higher percentage felt that this should be provided through the Discretionary Hardship Fund which has the flexibility to help those in need whilst concentrating assistance on the categories identified in the Community Equality Impact Assessment.



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- 5.9 We have made changes to Discretionary Hardship Fund awards for 2015/16. Where appropriate we have been making part-year or tapered awards to give recipients time to find ways to budget for their Council Tax liability. Due to these changes we consider the current provision of £30k can be reduced by £5k.
- 5.10 The consultation asked for residents view on how to fund the shortfall in funding if Support recipients were not asked to pay more.
- 5.10.1 20% of the 31% who voted for this option felt the shortfall should be funded by a rise in Council Tax. With the limit for increases normally set around 2% Members would need to go to a public referendum which would be costly, in excess of £70k and given the low percentage here would not be likely to produce a 'yes' vote
- 5.10.2 34% of the 31% who voted for this option wished to cut other services. However, in order to meet its current financial burdens the council is already reviewing all services to identify and make savings so this is not considered a viable option to meet the shortfall next year
- 5.10.3 62% of the 31% felt reserves should be used to cover the shortfall. The Council plans to use £230,000 of this balance in 2015/16 to assist in providing services. The Council's policy is for this reserve not to drop below £2.5 million and with the financial challenges of the next 4 financial years it is expected that we will need to continue the use of the reserves over this period to assist in providing services whilst savings that are required are being delivered. Whilst there appears sufficient reserves to fund the Council Tax Support scheme for a few years, central government funding for the Council will reduce over the next four years. Therefore, these reserves will be required to assist in delivering changes to services that enable the Council to provide a sustainable financial position. The use of reserves is not a sustainable way to fund any services long term, including the Council Tax Support scheme, and this is also not considered to be a viable option.
- 5.11 **Chief Finance Officer's comments:** On the introduction of this new scheme, the funding gap back in 2013/14 and the difference between the Council's loss of income from council tax support previously funded by Central Government and the additional funding received through an increase in Revenue Support Grant was £42,000.
- 5.12 Although it is no longer possible to separately identify the element of funding relating to council tax support within the RSG it can be assumed that as RSG has been significantly cut since the inception of the new scheme, so has the level of support funding provided by Central Government.
- 5.13 The Council has delivered savings from its services to compensate for the reduction in RSG funding during this period.
- 5.14 There is a risk that the small amount of additional income that could be realised by increasing the minimum percentage could be offset by the cost of additional administration and recovery required to collect it.

**6 Other factors impacting on the Council Tax Support scheme**

- 6.1 Changes to other welfare benefits are likely to have an impact on Support recipients ability to pay their Council Tax.
- 6.1.1 The reduction in the benefit cap to £20k from next April is expected to affect 170 of our existing working age benefit recipients, on average losing £81 per week.
- 6.1.2 Whilst the new National Living Wage, which is being introduced from April 2016, could help some of the employed Support recipients on low wages, the reduction in benefit and tax credits is expected to make the majority worse off. We have not been able to model these changes for our own caseload but the Institute for Fiscal Studies briefing note for House of Commons Treasury Select Committee documents that the average gain from the new National Living Wage is £200 a year but the average loss from the cuts to benefit and tax credits is £750. The tax credit changes will affect most of the 654 employed Support recipients. This indicates that they will not be in a better position to meet their Council Tax payments next year.
- 6.1.3 The four year freeze on a variety of benefits and the local housing allowance, which is used when calculating housing benefit for people privately renting, will mean that the 1518 working age claimants who receive both Housing Benefit and Council Tax Support will find themselves having to spend more of their income on their rent at the expense of other priorities and this is a concern for recovery rates for the Support recipients.
- 6.2 The Government's expected review of localised Council Tax Support Schemes which is taking place this year will not now report until February 2016. This is unlikely to affect any scheme the Council adopts for 2016/17.
- 6.3 Universal Credit for some single claimants will begin in our area in February 2016. At a recent meeting with the local representative from the Department for Work and Pensions she stated that the expectation is that between February 2016 and March 2017 approximately 600 single claimants may claim Universal Credit. This is not expected to substantially change our caseload since many do not claim Housing Benefit or Council Tax Support and those that do will only move to Universal Credit if they have a significant change in circumstances. The local Council Tax Support regulations will be amended to cover Universal Credit income when assessing entitlement to Support. We were also informed by the local representative that there are no plans to extend Universal Credit beyond single claimants before March 2017 or take on existing working age caseloads until at least 2020.
- 6.4 When making any changes to a scheme which has the effect of reducing or removing a reduction to which someone is currently entitled, then the revised scheme must include such transitional provision relating to that reduction as the authority think fit. It is considered that the Discretionary Hardship Fund, as proposed, can be used to mitigate the impact of transition on any affected individuals and that, consequently, no separate transitional provisions are required.

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#### 7 Legal Implications (including implications for matters relating to equality)

- 7.1 For 2016/17 the Council can continue with the scheme as approved for 2015/16 or may modify their scheme with any significant changes requiring consultation. Under the Prescribed Regulations those of pension age must continue to be protected from any changes and currently our caseload consists of 1254 pensioners (42%) who are in receipt of Council Tax Support.
- 7.2 Following the Committees decision in June to consider increasing the minimum contribution paid by working age Council Tax Support recipients the Council conducted an eight week public consultation which was in line with the recent Supreme Court Judgment.
- 7.3 The Council has a duty under the Equality Act 2010, in the exercise of any of our functions, to have regard to the need to: eliminate discrimination, harassment, victimisation and other prohibited conduct; advance equality of opportunity; and foster good relations. This requires an assessment of the impact of any changes to the Local Council Tax Support Scheme on those with the relevant “protected characteristics”.
- 7.4 The Community Equality Impact Assessment (CEIA) that was carried out for the introduction of the current minimum contribution scheme and the criteria for the Discretionary Hardship Fund which takes into account the findings in the Community Equality Impact Assessment have been reviewed. A draft CEIA assuming an increase in the minimum percentage is attached at Annexe 6 and the Discretionary Hardship Policy is attached at Annexe 7. There are no significant differences from the CEIA completed for the 20% minimum contribution scheme or the Discretionary Hardship Policy.
- 7.5 **Monitoring Officer's comments:** It is important that any revision to a scheme or replacement scheme is implemented in accordance with the requirements of the relevant law - including the specific provisions of the Local Government Finance Act 1992, and general obligations under the Equality Act 2010 and the common law. It is considered that all of those obligations have been met.

#### 8 Sustainability Policy and Community Safety Implications

- 8.1 None for the purposes of this report

#### 9 Partnerships

- 9.1 None

#### 10 Risk Assessment

- 10.1 The main risks identified remain the adverse impacts on claimants and financial risks to the council and therefore the council taxpayer. The shortfalls identified in table 3 relate solely to Epsom & Ewell Borough Council but decisions made on the Local Scheme will also affect Surrey County Council and Surrey Police who must be consulted on any proposed changes.

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- 10.2 It would be expected that increasing the percentage Council Tax Support recipients have to pay will affect collection rates. It is difficult to predict the possible loss in revenue at this stage and we will not have a clearer picture until the end of this financial year when we can review a full year of running a minimum contribution scheme. A prudent approach to collection will be taken when setting the taxbase forecast for 2016/17 and the following 3 years.
- 10.3 It would be expected that the higher the minimum percentage set for Council Tax payment the lower the overall collection rate will be. It would be necessary to ensure a substantial bad debt provision was made within the Council's collection fund to cover this.
- 10.4 The expenditure on the Discretionary Hardship Fund will continue to be monitored against the provision by the Director of Finance & Resources.

## **11 Conclusion and Recommendations**

- 11.1 The Council is required to approve the 2016/17 Local Council Tax Support Scheme by 31 January 2016 and implement it from 1 April 2016.
- 11.2 Due to central government spending cuts there will be a continued reduction in external funding for 2016/17 which we estimate would be in the region of £14k relating to Council Tax Support.
- 11.3 The majority of respondents to the consultation (69%) were in favour of an increase in the minimum payment, with an increase to 25% being the most popular. As demonstrated in Table 3 increasing the minimum percentage will only reduce the expected 2016/17 shortfall if we can achieve a higher than expected rate of collection. The recovery team can take a more forceful approach on recovery with Support recipients however with other 2016/17 welfare changes affecting so many of these recipients it is difficult to assess the effectiveness of a more stringent recovery process on collection rates.
- 11.4 Officers do have concerns that adopting Option C in particular could have the effect of reducing the amount collected from Council Tax Support claimants.
- 11.5 The Community Equality Impact Assessment highlights certain groups that could be more severely affected by the scheme although due to their status all Support recipients will be negatively affected by a minimum payment scheme and any increase in the minimum payment. Building in protections for certain vulnerable groups is an option however this will worsen the effect of the minimum payment scheme for others, if savings are to be made, and further effect recovery. A more targeted approach to protections using the existing Discretionary Hardship Fund appears a more efficient way to help those most in need. For the 2015/16 scheme an additional £10k was set aside to provide for any increase in take up from the Hardship Fund. This could be reviewed at the end of the financial year to assess whether the budget for the Fund could be reduced for 2016/17.

**WARD(S) AFFECTED: All**