

LOCAL COUNCIL TAX SUPPORT SCHEME

<u>Report of the:</u>	Head of Revenues and Benefits
<u>Contact:</u>	Judith Doney
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	None
<u>Other available papers</u> (not attached):	Strategy & Resources Committee Report 17 November 2015

REPORT SUMMARY

This report provides options for the Local Council Tax Support Scheme for 2017/18 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

RECOMMENDATIONS

That Members advise which of the following options they wish to consider for the Local Council Tax Support scheme from 2017/18

Option A – continue with the current scheme for a further year and agree not to undertake a public consultation.

Option B – consider increasing the percentage minimum payment on the current scheme by between 5% and 10% for the 2017/18 financial year and undertake a public consultation for consideration by Members in November 2016.

Notes

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:-

- The Council's priority "Supporting the Local Community" can be achieved by managing the changes in welfare benefit in a way that reduces the impact on the most vulnerable.

2 Introduction

- 2.1 Under changes made by the Local Government Finance Act 2012 to the Local Government Finance Act 1992, the responsibility for determining the arrangements for Local Council Tax Support passed to local authorities; previously a national scheme was in place. The first Local Council Tax Support Scheme had to be adopted by 31 January 2013. There were certain limitations on what local authorities could include in their schemes, for example, pensioners were protected.
- 2.2 Epsom & Ewell Borough Council's Local Scheme for Council Tax Support was based on the previous Council Tax Benefit scheme and continued means testing for pensioners and for those of working age on low incomes. The scheme provides additional protection for those with extra expenses or needs through a series of premiums and income disregards and these protections continue under the current scheme.
- 2.3 Each year the Council is required under the Local Government Finance Act 1992 to consider whether to revise its scheme or to replace it with another scheme. Any revision or replacement must be adopted no later than 31 January in the financial year preceding that for which the revision or replacement is to take effect.
- 2.4 If any revision or replacement has the effect of reducing or removing support to any class of persons, then the revision or replacement must include such transitional provision as the Council thinks fit.
 - 2.4.1 Before making a scheme the Council must (in the following order) -
 - 2.4.2 Consult major precepting authorities (Surrey County Council and Surrey Police).
 - 2.4.3 Publish a draft scheme in such manner as we think fit, and
 - 2.4.4 Consult such other persons as we consider are likely to have an interest in the operation of the scheme.
- 2.5 On 8 December 2015 Council approved continuing the 2015/16 scheme for 2016/17. The current scheme is therefore based on working age recipients of Council Tax Support making a 20% minimum payment with the underlying means tested applicable amounts being uplifted by the same percentage as the Housing Benefit rates applicable from April 2016. It also agreed the continuation of the Discretionary Hardship Fund to assist those experiencing financial hardship due to the changes but reduced the provision by £5,000 to £25,000.

3 Current scheme evaluation

- 3.1 The current Minimum Payment scheme where everyone of working age pays a minimum of 20% of their Council Tax charge has now been in place for a full year and we are now able to provide an analysis of the effects for Epsom & Ewell Borough Council.
- 3.2 As at 31 March 2016 there were 1,748 working age claimants in receipt of Council Tax Support of which 1,552 also received Housing Benefit. Details of the number of working age claimants in each ward are shown below for information.

Table 1

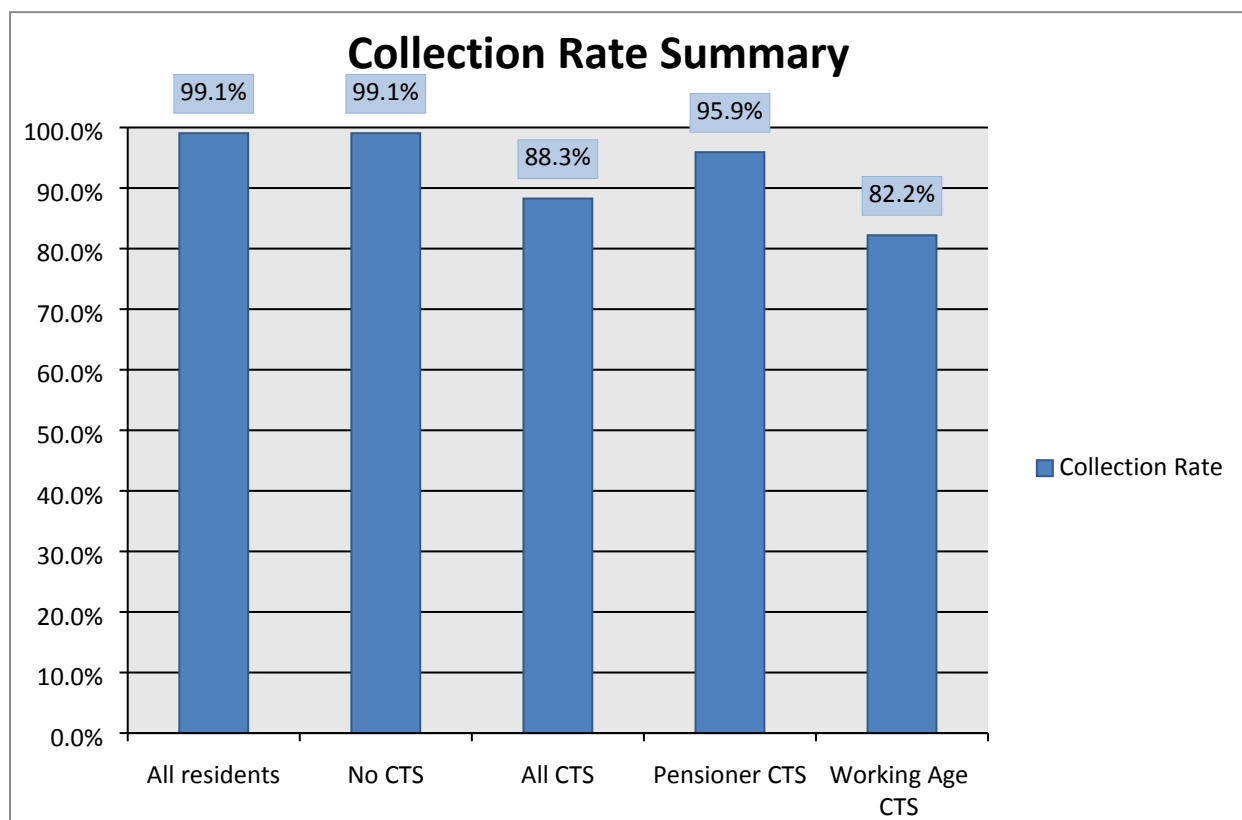
Ward	No. of working age CTS claimants
Auriol	38
College	62
Court	396
Cuddington	86
Ewell	131
Ewell Court	60
Nonsuch	13
Ruxley	227
Stamford	144
Stoneleigh	33
Town	350
West Ewell	116
Woodcote	92
Total	1,748

- 3.3 Under our previous schemes (for 2013/14 and 2014/15) 1085 working age 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.
- 3.4 Of the 1,748 claimants currently in receipt of Council Tax Support 876 are in receipt of income support, jobseekers allowance or employment support allowance, 587 are employed and of these 304 earn the minimum wage or below. The remaining claimants are on a variety of other benefits such as disability benefits or tax credits.

3.5 In 2015/16 1,419 working age claimant had paid their Council Tax in full by the end of the year. 231 had made a partial payment and 98 have made no payment. The Recovery team issued 500 summonses for Council Tax Support claimants and continue to chase defaulters. For those on a social security benefit the most common action following the granting of a liability order would be an attachment to a social security benefit. The current statutory rate of recovery from these benefits is £3.75 a week for 2016/17 which even on a Band A property would only cover half of the 20% minimum payment required. For those on low earnings the Recovery Team try to make a suitable arrangement but ultimately if the debtor will not engage with ourselves or CAB we have to pass the debt to enforcement agents to collect.

3.6 We had reduced our estimated collection rate for 2015/16 to 98.4% to take account of the expected lower collection on the Council Tax Support accounts. However at 31 March 2016 our collection was 99.1%. The table below shows the levels of collection for different categories

Table 2



3.7 Last year, of the 1,748 who could get assistance from the Discretionary Hardship Fund, we received 137 applications and granted a total of £15,356 on 101 of those.

- 3.8 Last year for a number of the 101 successful applicants we trialled a new approach with the support of Citizens Advice Bureau where we give a limited period of full assistance and then a phased reduction in assistance to help claimants adjust to budgeting to pay some Council Tax and this has helped reduce some claimants reliance on Discretionary Hardship Fund payments. By 20 May 2016 34 applications have been received and a total of £4,962 payments made on these. If the experience from previous years is repeated we would expect a surge in applications once the more formal recovery processes for Council Tax Support begin at the end of June.

4 Background information

- 4.1 National trends for 2016-17 Council Tax Support schemes are examined in a New Policy Institute report. It includes the following information:

- 66 authorities have changed their scheme for 2016/17.
- Of these 66, 39 have either introduced or increased a Minimum Payment.
- 259 (of 326) authorities have a Minimum Payment.
- 50 authorities have a Minimum Payment of 8.5% or less.
- 65 authorities have a Minimum Payment between 8.5% and 20%.
- 77 authorities have a 20% Minimum Payment.
- 67 authorities have a Minimum Payment greater than 20% (of which 11 authorities have a Minimum Payment over 30% and 1 authority has a Minimum Payment of 45%).

- 4.2 Nationally the introduction and effects of Council Tax Support schemes was statutorily reviewed this year by the Government. Some of the recommendations to central government which may be of use to us if the government is minded to pass the relevant legislation for 2017 onwards could include:

- allowing multi-year or rolling schemes. Councils being required to review their schemes at Full Council only when changes are being proposed.
- the statutory consultation requirements being clarified by Government, so that councils can take a less risk-averse approach. This should make consultations less burdensome on councils, and more engaging to residents.

- Government should enable Council Tax Support recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order. Safeguards should be put in place to ensure that individuals have had the time, information and capacity to consider the option and make an informed decision.
- Government should confirm that Council Tax Support will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.
- Government should consider localising at least part of the Council Tax Support scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents.
- Government should consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount.
- Government should take steps to better understand the impact of Council Tax Support on individuals and councils, widening the data it holds on Council Tax Support. This will enable future policy evaluation.
- Government should commission in-depth academic research on the impact of Council Tax Support within the wider context of other welfare and socioeconomic changes.
- Government should be transparent about how much funding for Council Tax Support is paid through Revenue Support Grant, and it should be explicit about the future funding of Council Tax Support schemes, including any expectations on how Council Tax Support should be locally funded.

5 Financial and Manpower Implications

- 5.1 When localised Council Tax Support 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.
- 5.2 The overall cost of the Local Council Tax Support Minimum Payment scheme for 2015/16 was £2,802,241, this total includes Council Tax Support payments where the Council was unable to alter the recipients Council Tax liability because the recipient is of pensionable age.
- 5.3 The Council's share of the cost of providing this support for 2015/16 was £308,247 before any contribution from the recipients.

5.4 The Revenues Support Grant has been reducing year on year and will disappear in 2017/18 at which time we expect to receive a transitional grant of £83,000.

5.5 Last year in planning for the 20% Minimum Payment scheme we estimated additional collection of £31,636. Actual figures for the 2015/16 scheme showed additional income of £57,354 (including £15,356 Discretionary Hardship Fund payments) for Epsom & Ewell Borough Council from the Council Tax collected. The table below shows this in column two. Columns three through six illustrate what could have been the picture should we have applied a 25% or 30% Minimum Payment based on the actual 2015/16 figures.

Table 3

	2015/16 20% minimum payment scheme (actual)	25% minimum payment (expected worst case collection)	25% minimum payment (expected best case collection)	30% minimum payment (expected worst case collection)	30% minimum payment (expected best case collection)
Amount of Council Tax to be collected from Support recipients based on 2015/16 rates	635,859*	794,824	794,824	953,789	953,789
Estimated recovery rate	82%	75%	80%	70%	80%
Forecast Council tax income collectable	521,404	596,118	635,859	667,652	763,031
EEBC Share of Council Tax Income (11%)	57,354	65,572	69,944	73,442	83,933

* In addition to the 20% payment this figure includes other Council Tax Support reductions such as non-dependent deductions which increase the amount to be collected.

- 5.6 In considering the figures quoted in the final row of Table 3 we must offset this collection by awards from the Discretionary Hardship Fund (paid for entirely by Epsom & Ewell Borough Council) and the additional cost of the resources used to collect these sums. Therefore whilst the introduction of the Minimum Payment scheme from 1 April 2015 reduced the expenditure on Council Tax Support by £635,859 and collected an additional £57,354 for Epsom & Ewell Borough Council, and any further increase in the Minimum Payment would continue to reduce expenditure, the actual gain from this would depend on the level of collection achieved. With the Minimum Payment increasing, and no increase in the recovery resources to collect this, we would expect a reduction in collection rates. (Currently the recovery team consists of 2 ½ recovery staff costing £85,000 a year.) With an increase in the Minimum Payment we would also expect to see an increase in awards from the Discretionary Hardship Fund.
- 5.7 The number of claimants the recovery staff are now dealing with has risen and the majority of those have little means to make these payments. The effect of a lower collection rate from the Council Tax Support claimants does not have significant effect on the overall collection rate since the Council Tax Support claimants only account for approximately 5.5% of the total tax base. The increased work for the recovery team on this group is high and if the Minimum Payment is increased we may we may need to review the resources on the team in order to maintain the collection rate for the Council Tax Support recipients. Given the difficulties in recovering the charge from those on such low incomes, increasing the Minimum Payment will also leave a greater percentage unpaid adding to the Council Tax arrears position.
- 5.8 Realistically Members have few other options available to fund the growing cost of Council Tax Support. Raising the Council Tax is limited to around £5 per annum on a Band D equivalent property unless Members wish to go to a public referendum; reserves are currently only £600,000 above the minimum level and Council Tax Support is an ongoing cost. The only other option is to reduce services further. With the Council facing significant future deficits Members will need to consider carefully future service levels to assist with finding the £1million to £1.5m to balance future year's budgets..
- 5.9 **Chief Finance Officer's comments:** *Epsom & Ewell Borough Council will only retain approximately 11% of any additional income received from reducing the level of Council Tax Support provided.*
- 5.10 *A reduction in Council Tax Support could see an increase in the demand on the hardship fund which is fully funded by Epsom & Ewell Borough Council. Currently £25,000 has been included within next year's projections and around £15,000 was allocated during 2015/16.*
- 5.11 *Increasing the financial burden for families may cause additional pressure on homelessness budgets if families are unable to meet their financial obligations.*

6 Options for 2017/18

- 6.1 Next year Councils can continue with the scheme as approved for 2016/17 or may modify their schemes. Any significant changes would require further consultation. Under the Prescribed Regulations those of pension age must continue to be protected from any changes and currently our caseload consists of 1,228 pensioners (41%) who are in receipt of Council Tax Support.
- 6.2 There are 2 main options for a 2017/18 Council Tax Support scheme:
- Option A. Continue with current scheme
 - Option B. Increase the percentage of the Minimum Payment for the 2017/18 financial year

Option A: continuing with the current scheme

- 6.3 The collection rate for working age Council Tax Support claimants is around the level estimated prior to the introduction of the scheme. Continuing with the scheme has the disadvantage of not increasing the income from Council Tax but would add less to the arrears provision. Although those affected were not happy with having to pay part of their charge 20% was accepted as relatively fair and kept the reduction in support to around £5 per week for claimants.
- 6.4 The simpler Minimum Payment scheme is easier to explain to claimants than one with different elements. The main call on staff resources prior to its introduction was the public consultation which resulted in a large volume of calls.

Option B: Increasing the percentage of the Minimum Payment for the 2017/18 financial year

- 6.5 This option could provide more income for Epsom & Ewell Borough Council if the Council Tax owed by working age claimants can be collected at a reasonably high level and reasonably low cost of staff resources.
- 6.6 The percentage payment can be set as a standard amount with assistance to vulnerable households provided by the Discretionary Hardship Fund as now or by setting different levels of percentages for vulnerable groups. If differing levels of percentages are introduced the overall percentage would need to take account of these reductions and information on this aspect would be included in any scheme proposed.
- 6.7 Should Members wish to pursue this option it is recommended that we go out to consultation on a range of % increases from 5-10%.

- 6.8 Option B would require full consultation and Committee will need to decide at its November meeting which percentage Minimum Payment level they wished to introduce for 2017/18.
- 6.9 The current Discretionary Hardship Fund enables officers to consider claims on an individual basis rather than as just belonging to specific groups. If Option A continues the existing £25k provision would need to be continued to mitigate the results of the Community Equality Impact Assessment. If Option B is chosen it may be prudent to increase the provision to mitigate the findings of the Community Equality Impact Assessment. This would be considered in conjunction with other options such as the use of differing percentages for Options B. This work will be undertaken as part of any proposals for the 2017/18 scheme.
- 6.10 For those current recipients who will be disadvantaged by any new scheme Options B would also require consideration of whether transitional provisions are thought fit. More details will be provided in a follow up report to be presented at the November Committee meeting.
- 6.11 Following the recent Haringey ruling it is felt that currently a multiyear settlement could leave us vulnerable to challenge. Although the government may change the legislation to allow for this we do not know if or when this might happen.

7 Other factors impacting on future schemes

- 7.1 It is important that any scheme agreed by the Council is capable of being administered effectively. This Council uses Academy software, one of a small number of systems available for this purpose. The costs of implementing changes to the scheme are relevant, in the context of the likely sums to be recovered from council tax payers and claimants. The Council's software company along with other similar providers stated its intention not to make any further changes to its software until after the national review. It is now discussing possible changes with councils in particular with a view to making changes when the full roll out of Universal Credit is due in 2020. It seems unlikely there will be any major change to the software's functionality for 2017/18 or that any changes, should they occur, will be known prior to our decision deadlines for our 2017/18 scheme.
- 7.2 Current and future Welfare Reforms will bite deeper. 2016 will see the introduction of a harsher Benefit Cap, with perhaps five times more EEBC residents subject to its reductions in Housing Benefit. (approximately 125) The freezing of benefit rates at their 2015 amounts is leaving claimants worse off through 2016, and will continue to strain their budgets as the freeze continues for the next 4 years

- 7.3 Universal Credit has been introduced small-scale into our borough and the number of claimants should remain relatively insignificant through the next 18 months. Calculating Council Support for a Universal Credit recipient does present challenges and we will need to consider how to apply changes to our future Council Tax Support schemes once Universal Credit is rolled out.

8 Equalities and Other Legal Implications

- 8.1 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”.
- 8.2 The Community Equality Impact Assessment (CEIA) that was carried out for the introduction of the current Minimum Payment scheme and the criteria for the Discretionary Hardship Fund which takes into account the findings in the Community Equality Impact Assessment would need to be reviewed if the Minimum Payment percentage is increased.
- 8.3 Options B which changes the Minimum Percentage would require the Council to undertake a full consultation process of at least 8 weeks. This would be similar to that carried out for the initial scheme. It would involve consulting with current Council Tax Support recipients who would be directly affected by the changes, general taxpayers by use of a survey on the website and use of the Citizen’s panel, monthly eBorough Insight, the Equalities Forum and local advice groups, residents associations and political groups and precepting authorities. Paper copies of the survey would again be made available at the Town Hall and Venues to get as wide a consultation as possible.
- 8.4 In order for the results of any consultation to inform final recommendations on the Council Tax Support scheme for 2017/18 the exercise must start at the beginning of July. An analysis can then be provided for the November Committee meeting.
- 8.5 There has been a Supreme Court Judgment on the consultation carried out a few years ago by the London Borough of Haringey. All Councils must have regard to the judgment when undertaking further consultation exercises. Councils are required to detail in their consultation what other options might be available to meet the shortfall in central government funding, such as raising the council tax, using reserves or reducing the funding of other services, and the reasons why the Council is not proposing to adopt any of these.

- 8.6 It is not absolutely clear from the legislation whether Councils may adopt a scheme under which the maximum level of support will change (reduce) year on year for a number of years, without this constituting a “revision” to the scheme each year, requiring consultation etc. There is therefore currently a risk that a decision to do that may be susceptible to challenge.
- 8.7 For example, matters to be included in a scheme, as set out in the 1992 Act, include “A scheme must set out **the reduction** to which persons in each class are entitled...” indicates an expectation that the reduction will not change. Similarly, it states that a reduction may be “a discount”, calculated in a specific way. This must also be read in the context of the clear requirement to consider each year whether to revise or replace the scheme, and to follow the consultation requirements if it wishes to do so.
- 8.8 There is nothing, however, to stop the Council from indicating in a consultation this year that it intends to reduce the maximum available support for some classes of person in future years, and can take responses into account in deciding whether/how to revise the scheme in future years.
- 8.9 Other options which have been disregarded include, for example, adopting the “default scheme” published by the Secretary of State in accordance with the 1992 Act, or absorbing the funding shortfall in other ways (for example by reducing the sums spent on other services). Reference to these matters ought to be included in any consultation.
- 8.10 **Monitoring Officer’s comments:** *The cost of dealing with any challenge to our scheme would be substantial. It would therefore be important to ensure that the consultation and approval process was conducted correctly in accordance with the law and good practice. This would be of particular importance if the revised scheme was at all out of the ordinary.*

9 Sustainability Policy and Community Safety Implications

- 9.1 None for the purposes of this report

10 Partnerships

- 10.1 None.

11 Risk Assessment

- 11.1 The main risks identified remain the adverse impacts on claimants and financial risks to the council and therefore the council taxpayer. The figures 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.

- 11.2 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 given the lack of information from other sites. A prudent approach to collection will need to be taken when setting the taxbase forecast for 2017/18 and the following 3 years.
- 11.3 It would be expected that the higher the minimum percentage set for Council Tax payment the lower the amount that could be collected. It would be necessary to ensure a substantial bad debt provision was made within the Council's collection fund to cover this.
- 11.4 If a Discretionary Hardship Fund assisting vulnerable households continues the Director of Finance & Resources would regularly monitor the expenditure against the provision.

12 Conclusions and Recommendations

- 12.1 For the 2017/18 scheme members can choose to consider to either continue with the current scheme for a further year or to increase the Minimum Payment percentage which may provide more income from the Council Tax.
- 12.2 We have sufficient time to undertake a public consultation over the summer months on the possible levels of percentage increase and on methods to protect the most vulnerable residents for the effects of the scheme. Following recent cases highlighting shortcomings in other Council's consultation exercises we will take legal advice prior to our own consultation to ensure all aspects are covered.

WARDS AFFECTED: ALL