

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):	Report to Strategy & Resources Committee June 2016

REPORT SUMMARY

This report provides options for the Local Council Tax Support Scheme for 2018/19 and asks Members to choose their preferred option in order that any consultation required can be undertaken over the summer.

RECOMMENDATION (S)

That the Committee

- (1) Advise which of the following options they wish to consider for the Local Council Tax Support scheme from 2018/19:**

Option A

Continue with the current scheme with the underlying means testing being kept in line with the Housing Benefit regulations and rates applicable from April of the appropriate year; or

Option B

Consider increasing the 20% minimum payment on the current scheme to either 25% or 30% and undertake a public consultation for consideration by Members in November 2017.

- (2) Consider setting a scheme for a two year period to bring the scheme into line with the Medium Term Financial Strategy and Corporate Plan and the planned full roll out of Universal Credit.**
- (3) Agree the continuation of the Discretionary Hardship Fund for exceptional cases and agree a provision of £25,000 per year.**

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 Background

- 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 are protected.
- 2.2 EEBC'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.
- 2.3 At the expiry of a scheme the Council is required under the Local Government Finance Act 1992 to consider whether to revise or 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.
- 2.5 Before making a scheme the Council must (in the following order) -
- 2.5.1 Consult major precepting authorities (Surrey County Council and Surrey Police).
 - 2.5.2 Publish a draft scheme in such manner as we think fit, and
 - 2.5.3 Consult such other persons as we consider are likely to have an interest in the operation of the scheme.
- 2.6 Our current scheme is based on working age recipients of Council Tax Support making a 20% minimum payment towards their council tax. The majority of the underlying means tested applicable amounts used in the calculation of entitlement were frozen as per the Housing Benefit rates from April 2017.
- 2.7 EEBC also provides a Discretionary Hardship Fund of £25,000 to assist those experiencing financial hardship due to the scheme.

3 Current Scheme Evaluation

- 3.1 As at 18 April 2017 there were 1,652 working age claimants in receipt of Council Tax Support, distributed within the wards as per Table 1.

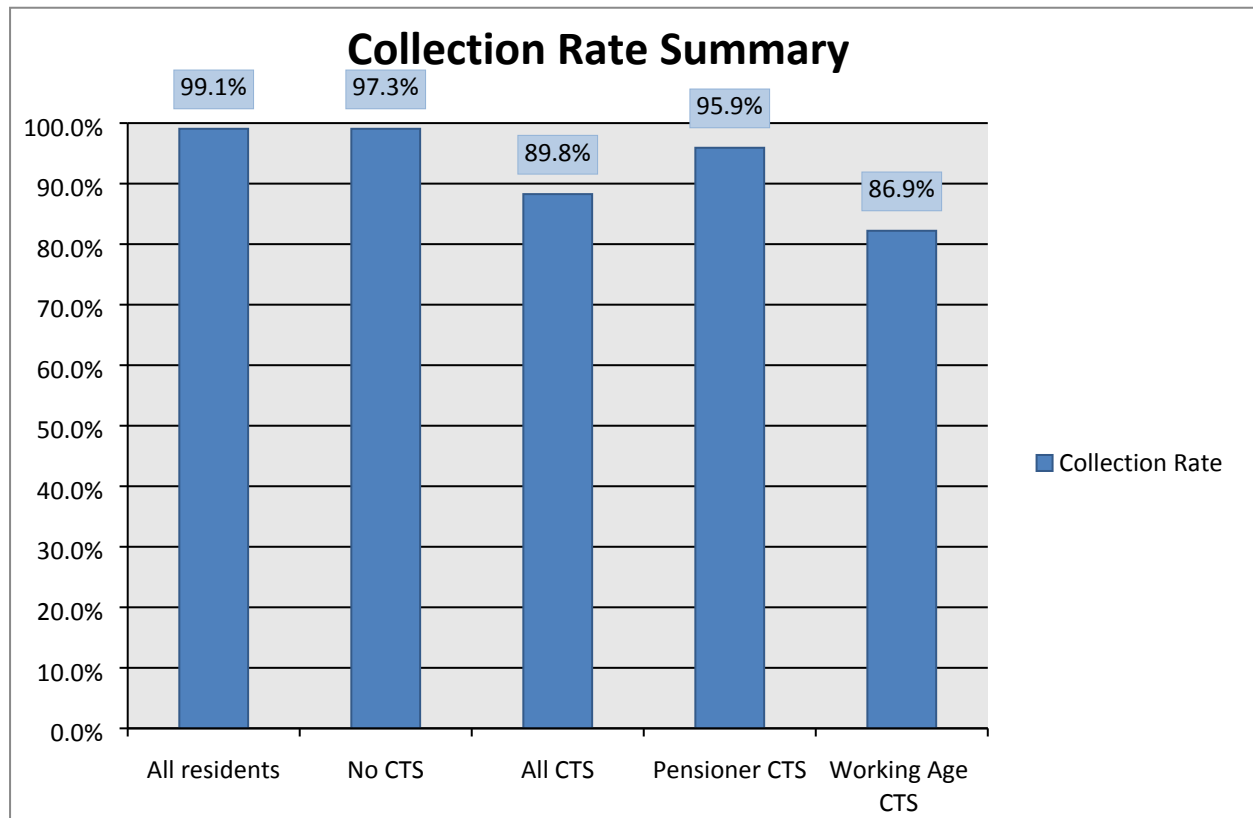
Table 1

Ward	No. of working age CTS claimants
Auriol	32
College	52
Court	341
Cuddington	89
Ewell	136
Ewell Court	61
Nonsuch	12
Ruxley	241
Stamford	171
Stoneleigh	29
Town	281
West Ewell	118
Woodcote	89
Total	1,652

- 3.2 Of the above 1,652 claims 846 are in receipt of Income Support, Jobseekers Allowance or Employment Support Allowance. There are 623 claims where the claimant, their partner, or both are working (including 182 engaged in self-employment). Of those working, 254 earn the minimum wage or below. The remaining claimants are on a variety of other benefits such as disability benefits or tax credits.
- 3.3 In 2016/17, 77.5% of working age claimants had paid their Council Tax in full by the end of the year, whilst 22.5% still had an amount outstanding. During the year the Council Tax Recovery Team sent 1,366 reminders to Council Tax Support claimants for defaulting on their payment instalments. For those on a low income the Recovery Team try to make a suitable arrangement, but ultimately if the debtor will not engage with EEBC or the CAB further recovery action is taken. 642 summonses were issued leading to 67 cases being referred to enforcement agents and 211 orders for an attachment to benefits. (Deductions can be taken from a person's social security benefit to service their council tax debt. The current statutory rate of recovery is £3.70 a week, whereas the 20% minimum payment for a band D property is £6.69 per week).

- 3.4 Overall, the council tax collection rate has remained at 99.1% between 2015/16 and 2016/17. Table 2 shows the levels of collection for different categories.

Table 2



- 3.5 Since the introduction of Council Tax Support there have been reductions in the number of recipient's year-on-year. The fall was 2.9% over the 2016 financial year. Nonetheless, expenditure slightly increased in 2016 (a rise of 2.5%) primarily due to rises in the council tax charge.
- 3.6 For 2016/17 we received 161 applications for EEBC's Discretionary Hardship Fund and granted a total of £24,938 on 148 of those. A number of these were given a limited period of full assistance and then a phased reduction in the assistance to help claimants (with the aid of the CAB) make adjustments with their budgeting so as to reduce reliance on the Discretionary Hardship Fund.
- 3.7 As at 17 May 2017, 38 applications have been received and a total of £4,936 payments made. Experience from previous years shows we should expect a surge in applications once the more formal recovery processes for Council Tax Support begin at the end of June.

4 Context

4.1 Nationally:

- 264 authorities have a Minimum Payment scheme

- 45 authorities have a Minimum Payment of 10% or less
- 60 authorities have a Minimum Payment between 10% and 20%
- 140 authorities have a Minimum Payment between 20% and 30%
- 19 authorities have a Minimum Payment of 30% or more
- The average Minimum Payment is 17%
- The New Policy Institute reports that council tax arrears have risen since the inception of Council Tax Support in 2013 and that “arrears have risen most...in those with Minimum Payments above 20%”.

4.2 Locally within Surrey:

- 7 authorities have a Minimum Payment Scheme
- These range from 10% to 30%
- The average is approximately 20%
- None of the 11 authorities made significant changes to their schemes for 2017/18.

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. Subsequently, the cost of the scheme has been incorporated with the Revenue Support Grant so it is no longer possible to identify what support the Council receives from the Government to assist with the cost of this scheme. With the Council set to receive no RSG in future years, the cost of this scheme will now fall to be met by the Council and other Precepting Bodies.
- 5.2 The overall cost of the Local Council Tax Support Minimum Payment scheme for 2016/17 was £2,871,456. This total includes Council Tax Support payments for both working age and pensioner claimants.
- 5.3 The Council's share of the cost of providing this support for 2016/17 was £315,860 before any contribution from the recipients. The cost for support for pensioners was £150,350 and for working age was £165,510. This equates to an additional £5 a year which other taxpayers fund through their Council Tax.

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- 5.4 The Revenue Support Grant has been reducing year on year and will disappear in 2018/19.
- 5.5 Column two in Table 3 illustrates the collection from Council Tax Support recipients and the income to EEBC in 2016/17. Columns three through six forecast what could have been the outcome should we have applied a 25% or 30% Minimum Payment.

Table 3

	2016/17 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 Ctax to be collected from Support recipients based on 2016/17 rates	758,298*	947,873	947,873	1,137,447	1,137,447
Estimated recovery rate	87%	75%	80%	70%	75%
Forecast council tax income collectable	659,719	710,904	758,298	796,213	853,085
EEBC Share of council tax income (11%)	72,569	78,199	83,413	87,583	93,839

* In addition to the 20% Minimum Payment this figure includes other Council Tax Support reductions which increase the amount to be collected, such as non-dependent deductions. It is net of the Discretionary Hardship Fund awards made.

- 5.6 In considering the figures quoted in the final row of Table 3 we must offset this collection by the additional cost of the resources used to collect these sums. Therefore whilst 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 3 recovery staff costing £94,324 a year. This is an increase of 0.5 post from previous years which has helped improve collection from the working age recipients 82% to 87% in 2016/17. (Of note, Camden council

are returning to a fully funded Council Tax Support scheme – i.e. no restrictions such as a Minimum Payment – and one of the justifications for this is to avoid the administration costs of collecting small amounts of money from low income families.)

- 5.7 The effect of a lower collection rate from the Council Tax Support claimants does not have a significant effect on the overall collection rate since the Council Tax Support claimants only account for approximately 5.5% of the total tax base and less than 2% of the charge to be collected. However the number of claimants the recovery staff are now dealing with has risen and the majority have little means to make these payments. The increased work for the recovery team on this group is high and if the Minimum Payment is increased we may need to review the resources on the team in order to sustain the collection rate for 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. Currently the arrears on working age recipients at the end of March 2017 equated to 19.42% of the total Council Tax arrears brought forward for the 2016/17 financial year.
- 5.8 When considering how to meet the cost of the Council Tax Support, other than reducing Support to residents, members have few options. Raising the Council Tax is limited to £5 per annum on a Band D equivalent property, unless Members wish to go to a public referendum. Reserves are currently only £800,000 above the minimum level and Council Tax Support is an ongoing cost. The only other option is to reduce services further.
- 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 and Ewell Borough Council. Currently £25,000 has been included within next year's projections.*

6 Options for 2018/19

- 6.1 Next year Councils can continue with the scheme as approved for 2017/18 or modify their schemes. Any significant changes would require further consultation.
- 6.2 Under the Prescribed Regulations those of pension age must continue to be protected from any changes and so these proposals relate only to working age residents. As at 18 April 2017 our caseload consists of 1,166 pensioners (41%) who are in receipt of Council Tax Support.

6.3 There are two main options for a 2018/19 Council Tax Support scheme:

6.3.1 Option A. Continue with current scheme.

6.3.2 Option B. Increase the percentage of the Minimum Payment.

Option A: Continuing with the current scheme.

6.4 With the Minimum Payment set at 20% the recovery team achieved a better than expected 87% recovery rate from those residents on Support, mainly due to some additional resource on the team. Continuing with this 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 keeps the reduction in Support from our previous version of the scheme to around £7 per week for claimants.

6.5 A 20% Minimum Payment keeps EEBC close to both the national average for Minimum Payment schemes and the average within Surrey

6.6 Maintaining the existing scheme avoids the significant amount of work and cost required in a consultation exercise.

6.7 The existing £25k provision for Discretionary Hardship Fund payments has proved successful at helping the most vulnerable and mitigating the impacts identified in the CEIA. Council would be asked to maintain the same level of provision if option A were chosen.

Option B: Increasing the percentage of the Minimum Payment.

6.8 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 a reasonably low cost of staff resources.

6.9 The percentage payment can be set as a standard amount with additional 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 a more detailed scheme proposal/consultation.

6.10 Should Members wish to pursue this option it is recommended that we go out to consultation on an increase of 5% or 10%.

6.11 This option would require full consultation and Committee will need to decide at its November meeting which percentage Minimum Payment level they will introduce for 2018/19.

- 6.12 The current Discretionary Hardship Fund enables officers to consider claims on an individual basis rather than as just belonging to specific groups. If Option B is chosen Support recipients would be asked to pay more towards their council tax. Thus it would be prudent to increase the Fund to mitigate the findings of the Community Equality Impact Assessment. The amount of increase required would be considered in conjunction with other options such as the use of differing minimum payments for vulnerable groups. This work will be undertaken as part of any proposals for the 2018/19 scheme.
- 6.13 For those current recipients who will be disadvantaged by any new scheme under Option B there would also be a requirement to consider whether transitional provisions are thought fit. More details would be provided in a follow up report to be presented at the November Committee meeting.

Recommendation 2 - Agreeing a scheme to run for 2018/19 and 2019/20

- 6.14 Members are asked to consider setting a scheme that will be in place for the next two financial years. Whilst concerns regarding possible legal challenges have been voiced concerning multi-year schemes, these are centred on schemes that change in each of the years. Schemes that remain the same in each year should be safe from any such challenge.
- 6.15 Advantages of a two year scheme include:
- 6.15.1 Residents, partner organisations and staff all more easily understand the scheme, how it operates and their / their customer's responsibilities under it.
 - 6.15.2 Central government's Welfare Reforms continue and their impact on resident's finances cannot be predicted with certitude, beyond the known fact that they will impact upon our residents' ability to afford to pay their council tax. Continuing a Council Tax Support scheme for two years is sympathetic to the reducing incomes of those dependent on social security.
 - 6.15.3 Council Tax Support is administered by EEBC's Benefits Section in conjunction with Housing Benefit claims. Housing Benefit claims are set to slowly reduce as Universal Credit supersedes. In 2018/19 authorities should have a clearer picture of the Universal Credit rollout. Without Housing Benefit claims, authorities will be in a better position to potentially make more radical decisions regarding their Council Tax Support scheme. Having a steady-state between prior years will provide a better platform from which to assess data and the likely effects of such large changes.

6.15.4 The exercise of looking at the Council Tax Support scheme can be resource intensive with work needed on considerations for scheme changes, evaluation of possible effects, re-visiting the CEIA, re-writing the scheme regulations, consultation preparation and analysis, etc. To carry this out yearly does impinge on other matters that require officers' dedication.

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 are taking the first steps towards introducing more radical options for Support schemes. However, these are at the initial stages and it might be prudent to allow sufficient time for testing or the evaluation of other sites that utilise it before embracing such functionality.
- 7.2 Welfare Reforms continue to affect working age Support recipients. The introduction of a harsher Benefit Cap reduces Housing Benefit for 71 households. 114 other households are subject to the bedroom tax. All working age Support recipients have less income in real terms given the freeze in many benefit rates since 2015.
- 7.3 Universal Credit has been introduced small-scale into our borough. For Council Tax Support purposes the 32 households are statistically insignificant. Nonetheless the fact that 42% of these had not paid their council tax in full by 31 March 2017 (compared to 22.5% for all Support recipients) is of concern – though further investigation is required. (It may be that the majority of these were previous homelessness cases and were thus already more financially insecure than the average Support recipient).

8 Legal Implications (including implications for matters relating to equality)

- 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 CEIA, would need to be reviewed if the Minimum Payment percentage is increased.

- 8.3 Option B which changes the Minimum Payment, would require the Council to undertake a full consultation process of at least 8 weeks. This would be similar to those carried out for the inception of the scheme and, more recently, the move to a Minimum Payment. It would involve consulting with current Council Tax Support recipients who would be directly affected by the changes, general taxpayers, the Citizen's panel, monthly eBorough Insight, the Equalities Forum, local advice groups, residents associations, political groups, precepting authorities and other interested organisations such as Housing Associations. To have as wide a consultation as possible awareness of the consultation would be promoted through direct mailings/e-mailings, press releases, eBorough Insight, etc. The survey would be web based, with paper copies of the survey available at the Town Hall and Venues.
- 8.4 In order for the results of any consultation to inform final recommendations on the Council Tax Support scheme for 2018/19 the consultation exercise must start at the beginning of July. An analysis can then be provided for the November Committee meeting.
- 8.5 Since the Council last undertook a public consultation on its Local Council Tax Support Scheme there has been a Supreme Court Judgment on the consultation carried out by the London Borough of Haringey. All Councils are now 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 to meet the shortfall in central government funding, such as raising the council tax, using reserves or reducing the funding of other services. Explanations why the Council is not proposing to adopt any of these are required.
- 8.6 ***Monitoring Officer's comments:*** No additional comments – the key issues have been considered in the body of the report.

9 Sustainability Policy and Community Safety Implications; Partnerships

- 9.1 There are no implications for the purposes of this report.

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 figures identified in paragraph 5 relate solely to Epsom & Ewell Borough Council. Yet decisions made on the Local Scheme will also affect Surrey County Council and Surrey Police. Both must be consulted on any proposed changes.
- 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 given the lack of information from other sites relating specifically to Support recipients.

- 10.3 It would be expected that the higher the Minimum Payment percentage 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.
- 10.4 If a Discretionary Hardship Fund assisting vulnerable households continues the Director of Finance & Resources would regularly monitor the expenditure against the provision.

11 Conclusion and Recommendations

- 11.1 Members can choose to either continue with the current scheme or to increase the Minimum Payment percentage.
- 11.2 When setting a scheme for 2018/19, members can decide whether that scheme also continues for 2019/20.
- 11.3 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 from the effects of the scheme. Following cases highlighting shortcomings in other Council's consultation we will take legal advice prior to our own consultation to ensure accuracy and correctness.

WARD(S) AFFECTED: (All Wards);