

Scrutiny Committee – 1 July 2014

8. Council Tax Reduction Scheme – Year 1 review and thoughts for Year 3

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Purpose of Report

To update members on the first year of SSDC's local Council Tax Reduction Scheme, and provide a brief look ahead to future years.

Introduction

From April 2013 the Government changed the way in which financial help is given to residents to pay Council Tax. Council Tax Benefit was replaced with a local Council Tax Reduction Scheme to help with the costs of council tax for those with low incomes. As part of the change the Government also cut funding towards the scheme by 10% (in reality this was a cut of 17% for SSDC) and the SSDC scheme was set in this context.

In addition to the change from Council Tax Benefit to Council Tax Reduction, Government introduced a number of other reforms as part of a wider welfare reform programme. The two reforms impacting in 2013/14 were the Overall Benefit Cap (restricting total benefits payable to £350 and £500 a week), and the Social Sector Size Restriction "the bedroom subsidy". Where a household is deemed to have one "spare" bedroom the rent used to calculate Housing Benefit is restricted by 14% and for two or more "spare" rooms the restriction is 25%. This typically means a loss of between £14 and £25 a week.

Task and Finish Group

The ambitions of the Scrutiny Task and Finish Group were to:

- Ensure the scheme was fair and had the minimum impact achievable, given the criteria set out by the Government, for all residents of South Somerset, not just those currently receiving Council Tax Benefit;
- Ensure it had adequate measures to provide stability to the recipients of Council Tax support;
- Ensure that the process was timely, well-evidenced, took account of members views, consultation and to minimise the risks to SSDC;
- Ensure that the new scheme would be accessible and not too complex.

It takes into account the key principles agreed as:

- Everyone should contribute something towards the cost of local services;
- All income should be included to ensure the scheme is fair;
- Greater account should be taken of the total income of a household;
- Provide incentives to encourage people into work, or to increase their hours;
- Provide protection for the vulnerable;

- Not penalise those that have already saved for the future (to a greater extent than the current Council Tax Benefit Scheme).

Review of CTR Year 1

There follows a range of information and statistics about Year 1 (2013/14) of SSDC's Council Tax Reduction Scheme (CTRS).

SSDC did not receive any legal challenges to its scheme, nor did we receive any appeals against award decisions during 2013/14.

CTRS spend was lower than expected which can be attributed to a declining caseload across the three scheme types; working age - employed, working age – other, and pensionable age.

A range of information has been collected on Somerset district council schemes and is shown at appendix A.

Caseload trends

Council Tax Reduction Scheme caseload data				
Data date	working age employed	working age other	Pensionable age	Total
30/06/2013	1717	4122	5963	11802
31/07/2013	1717	4146	5957	11820
31/08/2013	1715	4162	5954	11831
30/09/2013	1704	4128	5929	11761
31/10/2013	1692	4109	5905	11706
30/11/2013	1686	4122	5904	11712
31/12/2013	1685	4106	5879	11670
31/01/2014	1696	4110	5876	11682
04/03/2014	1717	4102	5840	11659
31/03/2014	1690	4042	5836	11568
End of 2013/14	1.57%	1.94%	2.13%	1.98%
30/04/2014	1657	4014	5751	11422
31/05/2014	1642	3970	5732	11344
From June 2013	4.37%	3.69%	3.87%	3.88%

The caseload declined by approximately 2% between the 30 June 2013 and 31 March 2014. The decline has continued during the early part of 2014/15 with the caseload almost 4% lower at 31 May 2014 compared with 30 June 2013. Some of the decline may be attributable to an improvement in the economy and a reduction in the number of people unemployed. We are also seeing a decline in the Housing Benefit caseload count. We have not carried out a detailed analysis of the reasons for these declines as this would require a considerable amount of manual reviews of case history.

Recovery notices

The table below shows the recovery notices sent during 2013/14 broken down into CTR and non-CTR cases. Notices were not sent during April and May 2013 due to large volumes of outstanding work. Although the combined number of reminders and final notices was high at 7512, the number of case reaching Liability Order stage was significantly lower at 1405. Prior to the introduction of CTR we did not have the ability to split the recovery notice data between Council Tax Benefit (CTB) and non-CTB cases so we cannot determine the level of increase between CTB and CTR scheme periods. There was a significant increase in the overall number of recovery notices issued in 2013/14 (36,555) compared with 2012/13 (26,898). However this will be due to a combination of factors, welfare reforms, changes to Council Tax discounts and the introduction of CTR. As the recovery process is an escalatory one, an increase in the number of reminders will also result in an increase in the other types of notices.

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Totals
Reminders	None	None	4841	913	1095	927	920	1001	N/A	1547	876	671	12791
Reminders CTR	None	None	None	2297	528	588	359	481	N/A	961	371	343	5928
2nd reminders	None	None	None	744	440	385	28	296	N/A	319	209	109	2530
2nd reminders CTR	None	None	None	328	164	187	159	N/A	174	68	65	1145	
Finals	None	None	None	104	211	204	87	201	N/A	239	91	35	1172
Finals CTR	None	None	None	13	3	103	108	N/A	143	42	27	439	
Summons	None	None	None	None	None	None	1816	1125	176	631	879	788	5415
Summons CTR	None	None	None	None	None	None	180	873	701	215	323	164	2456
Liability Orders	None	None	None	None	None	None	None	1385	957	572	87	273	3274
Liability Orders CTR	None	None	None	None	None	None	None	162	429	403	118	293	1405

Note: the CTR figures (highlighted in blue) are in addition to the non-CTR figures (non-highlighted)

There is more Council Tax collect, and more people to collect it from. The increase in general work, recovery notices, telephone calls, additional court and bailiff related work has put significant pressure on resources in the Revenues Team despite the addition of 1 FTE Revenue Officer for the introduction of CTR.

Awareness of the introduction to CTR

Some people have struggled with the change from Council Tax Benefit to CTR, continuing to think they didn't pay council tax. This contributed to the number of recovery notices issued (up to summons stage).

This is despite a significant effort to ensure current recipients (and other residents) were made aware of the change and its implications.

- We undertook a public consultation which included writing to all current working age recipients to tell them about the change and give them the opportunity to make their views known through that consultation
- As part of the public consultation we held drop-in sessions in each of our four areas
- We wrote to all recipients in January 2013 to let them know about the new scheme
- We put a special insert into the South Somerset Newsletter (Summer and Winter editions telling residents about the welfare reforms
- We publicised the change on our website
- We issued press releases
- We held workshops for members, parish clerks and the clergy

CTR recipients received an annual bill showing how much their annual charge was and their instalment plan. The bill contained text about the change from Council Tax Benefit to CTR, as did the Council Tax – Your Guide leaflet.

Every CTR recipient was sent an award letter showing them how much CTR they were entitled to.

Hardship

Provision for a Hardship Scheme was included in the 2013/14 CTR scheme to help those in exceptional circumstances pay their Council Tax. The budget for the hardship scheme was £60k. Applications for hardship are made on a separate form to CTR and require a further assessment of income and expenditure.

SSDC received 153 requests for hardship relief of which 105 were successful. The amount awarded by the end of the financial year was £11,388.

Hardship award analysis

Below is a breakdown of the household make up by income type.

Household type	Number	Employment Support Allowance	Income Support	Job Seekers Allowance	Working	Other	Receives maintenance
Lone Parent	16	6	7	0	3	0	2
Single	68	44	6	13	5	0	N/A
Couple no children	13	9	0	2	1	1	N/A
Couple with children	8	3	0	1	3	0	1
Total	105	62	13	16	12	1	3

The main reason why applicants were unsuccessful is they were assessed as having sufficient income to pay their Council Tax following a comparison of their declared expenditure against their income.

Longer term arrangements

We have changed our procedures for determining special payment arrangements of arrears to allow them to be paid over a longer period while ensuring that future Council Tax payments are sustainable. This will break the cycle of getting into difficulty year on year. This change applies to all Council Tax payers, not just those in receipt of CTR. Spreading the debt over a longer period increases the complexity of the instalment calculation. We have also introduced a new style confirmation letter of the payment arrangement, which sets out the date of each individual instalment. While these changes are more resource intensive, we anticipate that it will provide a better outcome for the customer and the council. We will not know for certain how successful this has been until the end of 2014/15 when many of the arrangements will be completed.

Reminders explained

In October we launched a "Council Tax Reminders explained" leaflet designed to help tax payers understand how reminders work, and in particular that it is an escalatory process unlike those for utility or credit card bills. It also contains details of when to pay their instalment to ensure the payment reaches the Council in time. Initially these were sent with reminder notices and bills for new occupiers. Every household received the 2014/15 Council Tax Reminders explained leaflet with their annual bill in March 2014.

Payments over 12 months

This Government change was introduced with effect from 1 April 2013 and provides the opportunity for all Council Tax payers to spread their annual charge over 12 monthly instalments instead of the previous 10. This has provided some help for people to spread the payments more, reducing the monthly sum due. At the end of March 2014 we had 4373 households on the 12 monthly plan. (Note this figure is for both CTR and non-CTR tax payers and is approximately 5% of properties in SSDC area).

Referrals for further monetary advice

We introduced an additional recover stage (FMA – further money advice). This is used where we identify that someone has budgeting and/or debt issues and would benefit from seeking independent advice from, for example, Citizens Advice Bureau. This gives the debtor some breathing space to get some advice and come back to us to negotiate a mutually acceptable payment arrangement. We currently have 142 cases at this recovery stage.

Collection rate

The collection rate for Council Tax was 97.40% for 2013/14 compared to 97.81% for the previous year. Collection rates are lower across Somerset due to the introduction of the Council Tax Reduction Scheme and reforms of Council Tax. The negative variance in the collection rate is 0.41% on the previous year.

Other impacts on collection rate

A number of other changes to Council Tax (agreed by Members in December 2012) were also introduced in April 2013. These changes were:

- the removal of the 10% discount applied to second homes, charging 100% of Council Tax;
- the removal of the 10% discount applied to properties that have been empty for more than 6 months, charging 100% of Council Tax;
- the introduction of a 50% premium charge for dwellings that have been empty for more than two years;
- the introduction of an empty property discount of 100% for up to 3 months (This was 6 months prior to the change)

There has been an increase in the amount of Council Tax which needs to be collected, both as a result of the introduction of CTR and the above changes to Council Tax discounts. The reduction in the Council Tax collection rate, and an increase in the number of recovery notices issued is in part attributable to the changes to Council Tax discounts.

External views on our scheme

"I can't think of any cases where the new Council Tax Reduction scheme has caused real hardship. Generally you seem to have got it right and those who now have to pay some can clearly afford it. All of my clients who I would regard as truly vulnerable have indeed been give 100% reduction.

The only problem I have observed is that several of our clients were used to getting full Council tax benefit, totally ignored all the letters at the beginning of the year, didn't pay their Council Tax, and only panicked when they got summonsed in December. In every

case they could have easily afforded their Council Tax, but had spent the money by the time they were chased for it.” Ian Croxford [Christians Against Poverty].

SSDC did receive representations from Gingerbread in relation to the scheme measure to take into account maintenance paid in respect of a child(ren). They pointed out that SSDC was one of twenty-one councils (out of 326) to take maintenance into account as income. Their main concerns were that it takes money away from children in separated families, that it discourages parents from seeking maintenance for their child, and that it targets single parents who they say have been disproportionately affected by other welfare cuts.

SSDC's response was that it removed an anomaly where two households received the same level of Council Tax Support but the one receiving maintenance had significantly more income with which to pay their Council Tax. SSDC increased the earning disregard for lone parents by 50%, meaning that the first £37.50 of weekly earnings are disregarded. Income is subject to an income taper of 20% which means that a parent would always be better off receiving maintenance and therefore taking it into account would not act as a disincentive. SSDC also has a hardship scheme for CTR working age recipients who were struggling to pay their Council Tax.

Summary of Year 1

Council Tax Benefit, where the maximum support available was 100% of liability was in place for 20 years. The transition to Council Tax Reduction where the maximum level of support is 85% is going to take time for recipients to get used to.

Approximately 4000 households have had to pay some Council Tax for the first time, while a further 2500 have seen an increase in the amount due. We have not had any appeals against award decisions we made during 2013/14, nor has there been a legal challenge to the scheme itself.

Although we received representations from Gingerbread about the inclusion of child maintenance as income in deciding levels of award, there is no direct evidence that this has caused disproportionate problems for those recipients. The Government has published guidance about vulnerable groups which includes a section on child poverty. The guidance suggests that councils can assist in tackling child poverty by disregarding child maintenance in full. This is something members may wish to consider for the 2015/16 scheme.

The collection rate has held up fairly well despite the increase in the amount of Council Tax to be collected as a result of CTR implementation (and the changes to Council Tax discounts/introduction of the Empty Homes Premium).

The Revenues Team has seen a significant increase in the amount of customer demand and this has put the officers under pressure throughout the year. This is not unique to South Somerset with many other councils experiencing the same. This suggests the increase is caused by the change from CTB to CTR rather the actual design features of the SSDC scheme.

The Benefit Team has also experienced an increase in customer demand, partly as a result of the increase in the number of recovery notices, and partly due to the other welfare reforms (Overall Benefit Cap and Social Sector Size Restriction).

It is reasonable to anticipate some easing in demand as people get used to the new scheme, and get their payments onto a sustainable footing. The extent to which this occurs will become clear by the end of the current financial year.

Future Years

Year 2 (2014/15)

Due to limited knowledge of the impact of the CTR scheme for 2013/14 and the requirement to set a scheme for year 2 (2014/15) by 31 January 2014, only uprating changes were made to the original scheme for 2014/15. The hardship budget was reduced from £60k to £30k in light of the spend in year 1.

Year 3 - 2015/16

It is now time to consider what changes, if any are to be made to the CTR scheme for 2015/16, with the deadline for setting this scheme being 31 January 2015.

Taking maintenance into account

There were 453 CTR claims where maintenance was being paid for children.

An analysis of 155 of those claims (about 36% of the total) tells us that in 31 cases recovery action reached the Liability Order stage. However, in 10 of these cases an arrears balance was brought forward from 2012/13 (pre-CTR).

There isn't any evidence to suggest a direct link between the measure and non-payment. In addition only three of the success applications for hardship are from maintenance recipients.

In February 2014 the Department for Communities and Local Government (DCLG) published the guidance document "Localising Support for Council Tax, Vulnerable people – key local authority duties. Paras 3.7 to 3.12 cover the issue of child maintenance payments. It says "The payment of child maintenance helps to improve children's life chances. This includes making a contribution to lifting children out of poverty or preventing children from slipping into poverty by raising income levels in poor households." It goes on to say that councils can help maximise the money reaching children by fully disregarding child maintenance.

Other Somerset LA's

The other Somerset LA's position on disregarding child maintenance from 1 April 2015 is

Mendip – considering a full disregard

West Somerset – no plans to introduce a disregard

Taunton Deane – considering a full disregard

Sedgemoor – Already disregard up to the level of the Child Personal Allowance figure

Possible changes for consideration

Description	Numbers affected	Cost / saving	Comment and provisional equality impact
Restrict Council Tax Support entitlement to some European Economic Area (EEA) claimants following changed housing benefit legislation	Only new claimants from 1 April 2015.	A saving – unable to define at present but unlikely to be a major saving.	DWP issued changes to HB legislation for April 2014 which prevents housing benefit being paid to some EEA jobseekers and this measure would bring the CTR scheme in line with government policy.

Disregard all child maintenance	Data not currently available	Data not currently available	DCLG guidance issued February 2014 strongly suggests this should be fully disregarded. Gingerbread have made representations
Earnings disregards	None at present	Would add a very small cost	Under the Council tax benefit scheme some "special" earners – e.g. retained fire-fighters had a higher earnings disregard. We kept these disregards for council tax support rather than increase them in line with other earners.

Year 4 - 2016/17

All Somerset LA's have agreed to work collaboratively, with the assistance of an external expert in this field, on a new style "core" countywide scheme that will meet the challenges of reduced funding, supporting vulnerable people, promoting work and less administratively burdensome. This core scheme could then be tweaked for each Council area if desired. The first meeting with the consultant is on 4 July. A report on the proposals will be brought to Scrutiny Committee in due course.