

# Public Document Pack



## Scrutiny Committee - Tuesday 3rd January 2017

Agenda No	Item
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| 10. | <u>Final Report from the Monitoring SSDC Council Tax Support Scheme Task and Finish Group (Pages 2 - 26)</u> |
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# Monitoring SSDC Council Tax Support Scheme

Report and Findings of the Overview and Scrutiny Task and  
Finish Group

December 2016

## Chair's Foreword

As part of Central Governments Welfare Reform Bill in 2012:

- Council Tax Benefit was abolished; the responsibility of helping low-income households pay their Council Tax was transferred to Billing Authorities. This was delivered with the creation of a local scheme to be known as Council Tax Support (CTS). The scheme has to protect pensioners as they were previously in 2012/13 but provided councils with autonomy to create a new scheme for working age households.
- Central Government reduced the grant to help low-income households pay their Council Tax by ten percent.

At this time the Overview and Scrutiny Committee recognised the significance and potential impact this could have on the residents of South Somerset and conducted a very thorough review and produced a report and recommendations<sup>1</sup> detailing:

- Specific recommendations that would form the basis of the new localised scheme
- Potential risks and mitigation measures
- Monitoring arrangements

Since the scheme was implemented in April 2013 Central Government have revised the funding arrangements. The grant that SSDC received to help low income households pay their Council Tax ceased to exist. Since 2015/16 the funding has been included in the Revenue Support Grants; no figure is prescribed or ring-fenced specifically for this purpose and the grants have decreased.

The original report recommended specific monitoring work is undertaken and that the scheme be reviewed if the funding were amended. Last year an Overview and Scrutiny Task and Finish group conducted a thorough review and altered the scheme to make savings<sup>2</sup>.

This report details this review process and recommendations for the Council Tax Support scheme for 2017/18.

I would like to take this opportunity to thank the officers who supported us on this review to make informed decisions and produce this report.

*Sue Steele*

Scrutiny Committee Chair

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<http://modgov.southsomerset.gov.uk/Data/District%20Executive/20130103/Agenda/8%20Appendix%202%20-%20SSDC%20Council%20Tax%20Reduction%20Scheme%2003-01-2013.pdf>

2

<http://modgov.southsomerset.gov.uk/documents/b5152/Council%20Tax%20Support%20Scheme%20of%20201617%20Appendices%2021st-Jan-2016%2019.30%20South%20Somerset%20District%20Coun.pdf?T=9>



## **Task and Finish Group Membership**

Councillor Sue Steele - Chair of Task and Finish Group

Councillor Amanda Broom

Councillor David Norris

Councillor Sue Osborne

Councillor Rob Stickland

Councillor Carol Goodall - As previous Chair was asked to attend in an expert capacity

All members worked collectively with the support of Jo Gale – Overview and Scrutiny Manager and the Project Officer Group:

Ian Potter – Revenues and Benefits Manager

Lynne Joyce – Benefits Team Leader

Mandy Stewart – Benefits Team Leader

Donna Parham – Assistant Director for Corporate and Financial Services

Jo Morgan – Equalities Officer

## **The Work of the Task and Finish Group**

The Task and Finish Group commenced this second review of the Council Tax Support scheme on 29 April 2016 to:

- Consider the outcomes and response from the previous Scrutiny recommendations.
- Review the monitoring work to ascertain if the scheme and associated processes are effective - achieving the original ambitions of the group and are appropriate in terms of resource and cost.
- Identify external legislative and Welfare Benefit changes that may impact on the scheme in terms of its complexity and affordability.

There was no ambition to identify if any further savings to the cost of the scheme as the task and finish group concluded in its review in 2015 nothing else could be done to achieve savings whilst:

- Protecting the vulnerable
- Meeting the ambitions of the task and finish group
- Achieving the original criteria for Council Tax Support prescribed by Government.
- Realistic/proportional administration costs
- Incentivising work or increasing hours of work

The ambitions of the original Task and Finish group were:

- Ensure the scheme is fair and has the minimum impact that is achievable, given the criteria set out by the Government, for all residents of South Somerset, not just those who are currently receiving Council Tax Benefit
- Ensure the scheme has adequate measures to provide stability to the recipients of Council Tax Support.
- Ensure the process is timely, well-evidenced, takes account of members views, any consultation and minimises risks to SSDC
- Ensure the new scheme is accessible and not too complex

The Task and Finish group in collaboration with officers agreed the following set of principles to underpin the original scheme:

- Everyone should contribute something towards the cost of local services through Council Tax
- 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 increase their hours
- Provide protection for those who may become vulnerable under the scheme 'Unable to afford basic shelter, food, water, heating and lighting and essential transport'
- Not penalise those that have already saved for the future (to a greater extent than the Council Tax Benefit scheme) This was modified last year to reflect the disregarded threshold of Housing Benefit and to be fairer to Tax Payers who are not in receipt of Council Tax Support

## **Review of the outcome and responses to the Scrutiny Recommendations from the previous report in 2015.**

Members discussed with representatives from the Revenues and Benefits Team the progress that had been made against the recommendations in last year's report with regard to the processes that surround the scheme and will continue to monitor this with the additional recommendations in this report.

### **Monitoring**

This chapter of the report details the monitoring activities the Task and Finish group undertook to establish the effectiveness of the current scheme and associated processes.

Members felt that it was important to continue to learn from the experience of other authorities and sought to identify best practice with regard to scheme design and the collection and enforcement of Council Tax Arrears.

Members reviewed external data and information, and considered the following papers:

- New Policy Institute Council Tax Support scheme data from 2013/14 to 2016/17, this showed how each local authority had amended their individual scheme.
- House of Commons Briefing paper – Council Tax Reduction Schemes – 24 December 2015.
- Three Years On: An Independent Review of Local Council Tax Support Schemes – Eric Ollerenshaw OBE – March 2016
- Joint Strategic Needs Assessment Summary 2016 – Vulnerable Children and Young people.
- Somerset Intelligence – Welfare Reforms: Monitoring the impact on Somerset 2015/16
- Joseph Rowntree – Counting the Cost of Poverty
- English Indices of Deprivation 2015 – Somerset Summary.
- Still too poor to pay – three Years of Localised Council Tax Support In London – Child Poverty Action Group/Zacchaeus.

The risks associated with the scheme were reviewed as the costs for funding this scheme are vulnerable to increasing as a direct result of changes of the economic climate and the impact of wider Welfare Reforms.

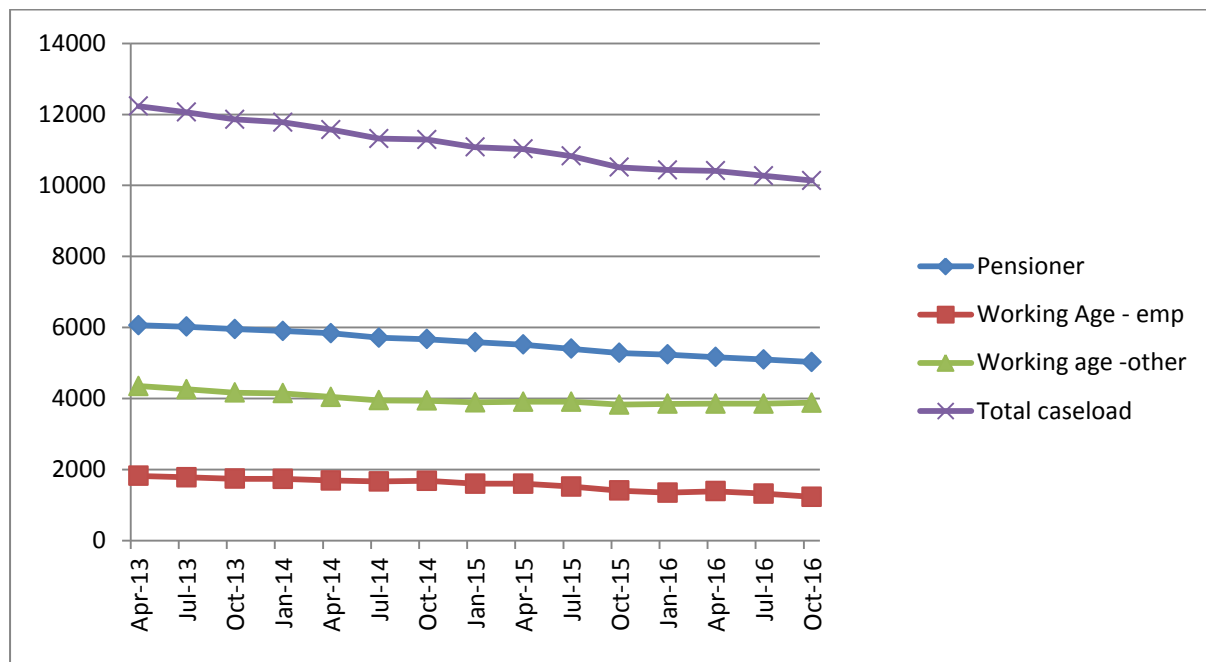
Equalities were considered throughout the entire review process.

### **Establishing the effectiveness of the current scheme and associated processes**

There are many different components that need to be assessed to identify if the scheme is working effectively, each element that has been considered is detailed in this section.

## Number of Council Tax Support Recipients

The group reviewed the number of households in receipt of Council Tax Support with a breakdown of pensioner and working-age to assess the financial risk of the scheme to SSDC. (The greater the number of households in receipt of Council Tax Support, the greater the cost to SSDC. As pensionable age households are protected under the old Council Tax Benefit rules this carries a higher cost and therefore a greater risk of which SSDC has no control). The numbers and types of household in receipt of support since the Council tax Support scheme was introduced are presented in the chart below:



This gradual decline in the number of recipients of Working Age – employed is very reassuring. The Benefits Officers have attributed this to households either moving into work or increasing their hours; consequently there is less dependence on SSDC to help pay their Council Tax.

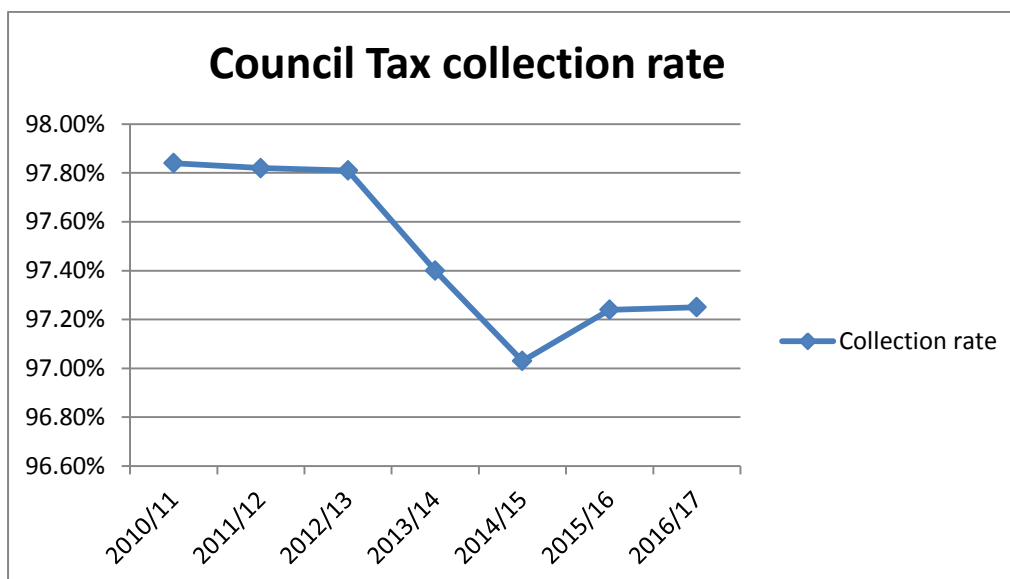
The number of Working Age – other group recipients (other group represents those who are unemployed or unable to work) has had a slight increase over the course of the last year. The overall total of Working Age households in receipt of Council Tax Support has decreased by over 1000 since the start of the scheme in April 2013.

## Council Tax Collection rate

In the original Task and Finish report members recommended that Council Tax collection rates were monitored. (The collection rate is the proportion of all net collectable council tax that has been collected; this shows how much of a gap there is between what SSDC needs to collect and the amount actually collected). This was to assess if the council has adopted appropriate methods to successfully collect Council Tax from new council tax payers and to prevent the authority from any financial risk; the monitoring is carried out every quarter and reported in the Medium Term Financial Plan Quarterly monitoring.

The chart below shows the annual collection rate since 2010 (3 years prior to the introduction of Council Tax Support) for all Council Tax as a percentage and includes the projected collection rate for this financial year. This is not specific for Council Tax Support Cases





There was a very slight decrease in the collection when Council Tax Support was introduced; however there were other factors:

1. Removal of the second home discount – was 10% of annual charge
2. Introduction of an Empty Homes Premium – 150% of annual charge once empty for 2 years
3. £1m more to collect as a result of moving from Council Tax Benefit to Council Tax Support.
4. Restricted recovery in year 1 of the Council Tax Support scheme 2013/14 - delayed issuing recovery notices and summons. Recovery enforcement action such as attachment of earnings or attachment of benefits was put on hold to provide a transitional period for people to get used to the new rules and for some pay council tax for the first time. This avoided the addition of court costs at an early stage which would have been disproportionately high compared with the council tax due. Payment was offered over 12 monthly instalments instead of the standard 10 to help reduce the monthly payment due
5. Changes to bailiff fee structure from 1 April 2014 resulting in a change to work practices
6. Restricted recovery in 2014/15 due to resource issues and an IT system migration
7. Single person discount review in 2014/15 resulting in the removal of 1173 discounts and an increase of £603K of Council Tax to collect

Each of these factors contributed to the decrease in the collection rate which was in line with Council Tax Collection rates across England. The average collection rates across England for comparison purposes were:

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Average Collection rate for England<sup>3</sup></b>	97.3	97.4	97.0	97.0	97.1
<b>SSDC Collection rate</b>	97.82	97.81	97.4	97.03	97.24

<sup>3</sup> Department of Communities and Local Government

The SSDC collection rate for this year is projected to be 97.25% up .01% on last year. Members hope this can be further improved upon, learning from exemplar authorities such as Lambeth who invested in measures to try to prevent non-payment of Council Tax and achieved a collection of 93% in 2015/16 for those in receipt of Council Tax Support. However this has to balance with the costs of collecting, Councillor Paul McGlone, Deputy Council Leader for Investment and partnerships, London Borough of Lambeth explained the interventions to achieve the excellent collection rate had been intensive in terms of cost and officer time.

Recommendation: Revenues Officers contact Lambeth Council with regard to their new Income and Debt Policy and explore the new processes and interventions they have adopted to look to further improve SSDC collection processes and ultimately the collection rate.

### **Cost of the scheme**

The cost of the Council Tax scheme since it has been in operation is detailed below:

2013/14 £9.359 million

2014/15 £8.882 million

2015/16 £8.219 million

2016/17 £8.496 million (cost as at 30 Nov 2016)

The values are as at 31 March each year apart from current year. Each year the cost of the scheme falls throughout the year so 2016/17 is likely to finish the year at a lower cost than at 30 Nov 2016.

In 2016/17 all the major preceptors increased their charges and both the Somerset Rivers Authority and Adult Social Care charge were introduced.

To date the scheme has been affordable whilst maintaining the objectives in the Council Plan and the ambitions of the Task and Finish group. The reducing costs and the improving collection rate are both reassuring and positive; however it is very difficult to identify how much of this is due to good practice and how much is down to the improvement in the economic climate. The risk is always the potential downturn in the local economy and this is not possible to mitigate, it is just a case of adopting policy and working practices that achieve the best collection rate whilst protecting those who are financially vulnerable.

The cost in real terms to recipients of Council Tax Support was reported by the New Policy Institute as an average decrease of £155.00 for South Somerset District Council, £196.00 for the South West and £169.00 nationally compared to what would have been provided if Council Tax Benefit had continued.

Based on this evidence Members considered if the SSDC scheme could perhaps be altered to reduce the costs of the scheme further and decided to revisit the minimum payment and test the Task and finish groups conclusions last year - Nothing else could be done to amend the scheme to achieve savings whilst:

- Protecting the vulnerable
- Meeting the ambitions of the task and finish group

- Achieving the original criteria for Council Tax Support prescribed by Government.
- Having realistic/proportional administration costs
- Incentivising work or increasing hours of work

Members considered if the scheme should be altered in terms of amending the minimum payment. (Currently the scheme asks everyone to contribute something and support is calculated on a maximum award of 85% leaving a minimum payment of 15%).

Based on evidence that showed a correlation between collection rates decreasing where the Maximum support is 80% or lower, members reviewed the impact of a 2.5% decrease in the maximum level of support to 82.5%. The impact at a resident's level was explored and examples are provided below:

A CTS claim for a property in Castle Cary that is capped at band C currently pays £1450.00, if the maximum support was decreased to 82.5% the liable person would have to pay an additional £36.25 per year or 70 pence per week.

A CTS claim for Brympton currently pays £1350 per year, if the maximum support was decreased to 82.5% the liable person would have to pay an additional £33.75 per year or 65 pence per week.

The impact will vary for each parish as they set their own precept.

The total net impact was approximately a £200,000 saving – the SSDC share of this is approximately £20,000. The group discussed if this was a worthwhile adjustment/saving given the numbers of people that are just managing and the benefit a year of stability would provide those recipients. Members agreed they could not justify this adjustment/saving for this year based on:

- The evidence documenting the correlation between minimum payment levels and potential decrease in the collection rates.
- The cost of living in real terms not reducing since the detailed reviews considering affordability (based on an internal desktop exercise) and the additional costs that can be attributed to living in a rural area with infrequent public transport.
- External evidence from several sources documenting the impact of other welfare reforms on families being a reduction of income ranged between £525 per year and £1000 per year increasing to £1300 in 2020.

Members felt given the changes in other benefits and this potentially making it harder to collect Council Tax that it was worthwhile examining increasing the support to 87.5% making the minimum payment 12.5 % in place of 15%:

A CTS claim for a property in Castle Cary that is capped at band C currently pays £1450.00, if the support was increased to 87.5% the liable person would have to pay £36.25 less per year or 70 pence per week.

A CTS claim for Brympton currently pays £1350 per year, if the support was increased to 87.5% the liable person would have to pay £33.75 less per year or 65 pence per week.

The impact will vary for each parish as they set their own precept.

The group questioned if people had to pay 65/70 pence per week less Council Tax if it would make a beneficial impact to people's well-being and could prevent people falling into arrears or becoming financially vulnerable, members concluded not to pursue this option because:

- There is no evidence to suggest affordability is an issue across the board.
- A 65/70 pence reduction would not make enough of a difference to those who are struggling to pay their Council Tax (based on the data provided when people require additional support in the form of the discretionary hardship fund and those who are subject to recovery action).
- More analysis/monitoring needs to be done to measure the impact of the wider changes to National Benefits to understand the impact this is having on people's ability to pay their Council Tax – the outcome of this monitoring work needs to be reported back to Central Government – The task and finish group recommend that SSDC share analysis and case study based examples where it shows affordability is an issue due to the impact of the wider Welfare Reforms and considers developing an anti-poverty strategy.
- It's not fair that SSDC Tax Payers and stakeholders have to pay more for the same services due to the impact of Wider Welfare reforms

### Discretionary Hardship

The original Task and Finish report recommended, creating a hardship fund for those people who are financially vulnerable and that awards are monitored in terms of identifying trends.

Year	No. of requests	Awarded	Not Awarded	Total paid
13/14	171	121	50	11292.82
14/15	152	115	37	11581.32
15/16	163	136	27	14551.14
16/17 (at 14/12/16)	119	100	19	12954.63

The Task and Finish group reviewed the analysis that had been conducted by the Benefit Officers of the applications made to the Hardship Fund.

The group carefully considered the circumstances of the applicants to identify if there were any trends, in terms of the numbers of people in the household and what type of income they were in receipt of to identify any trends. No trends were identified and the group were satisfied that the relatively low numbers of awards and the disparity to whom they awarded gave no indication the scheme was the cause of any financial vulnerability.

To date there have been very few applications compared to the numbers of households that are in arrears with their Council Tax. However having read external reports SSDC working practices have already introduced best practice recommendations, for example providing a combined application for both CTS discretionary relief and Discretionary Housing payments (a payment that can be made in additional to someone's Housing Benefit).

The Task and Finish group recommends that Benefit Officers work with the Equalities Officer to consider how best to promote the scheme with 'hard to reach groups' and across the charitable and volunteer sector to further raise awareness of the provision of the discretionary relief.

The Task and Finish Group Recommends the Revenues team explore greater promotion or more targeted promotion of the CTS Discretionary Hardship provision.

Members have requested monitoring of the hardship rewards continue. Monitoring this is the best way to identify real financial vulnerability, potential issues with the scheme and potential Council Tax collection problems.

## **Monitoring Council Tax Arrears**

Council Tax Arrears arise when a resident falls behind with their council tax payments. The way that councils pursue missed payments or incomplete varies. The standard procedure is for a council to send two reminders about unpaid council tax before embarking on further collection and enforcement strategies. This may include asking for the entire year's liability to be paid in one instalment, making an application to the magistrate's court for a liability order, an attachment of earnings or benefits (where the council collects council tax from the household's income or benefits that the council itself administers). They may proceed with enforcement measures, such as debt collection by bailiffs.

In the last Task and Finish report it was documented that further work needed to be done to analyse the cases that are in arrears where Council Tax Support is being given, this was to best manage the scheme going forward and to ensure SSDC has an effective and efficient approach to collection and recovery.

The Task and Finish group requested to review the Council Tax arrears data for those households that are in receipt of Council Tax Support to identify if there are any trends to suggest any particular group may be disproportionately impacted upon by the scheme and consequently unable to pay their Council Tax.

The Revenues and Benefits Team were limited in the data that could be collected as they had to correlate data from two databases. (The problem with regard to capturing and correlating this data has been sighted in external reports in the Ollerenshaw report there is reference that more needs to be done to assess the impacts of the wider reforms also) Officers worked with members to review a sample of 145 cases, (the equivalent of 5.6% of households in arrears where CTS has been awarded) to examine if there was any trend with regard to household composition, or income. Members were concerned that of the randomly selected sample 17.24% of the group with in excess of £250.00 Council Tax arrears were lone parents, however when this was compared to the percentage of people in receipt of Council Tax Support who are lone parents -18.16% members were satisfied that the arrears cases reviewed showed a proportional representation of the numbers of cases in receipt of Council Tax Support.

At this point it is worth mentioning of the lone parents affected 96% of these were female, we know from recent reports that the welfare benefit reforms disproportionately impact on women and therefore future reviews need to do detailed analysis to monitor to see if the CTS scheme is causing any disproportional impact that needs to be mitigated.

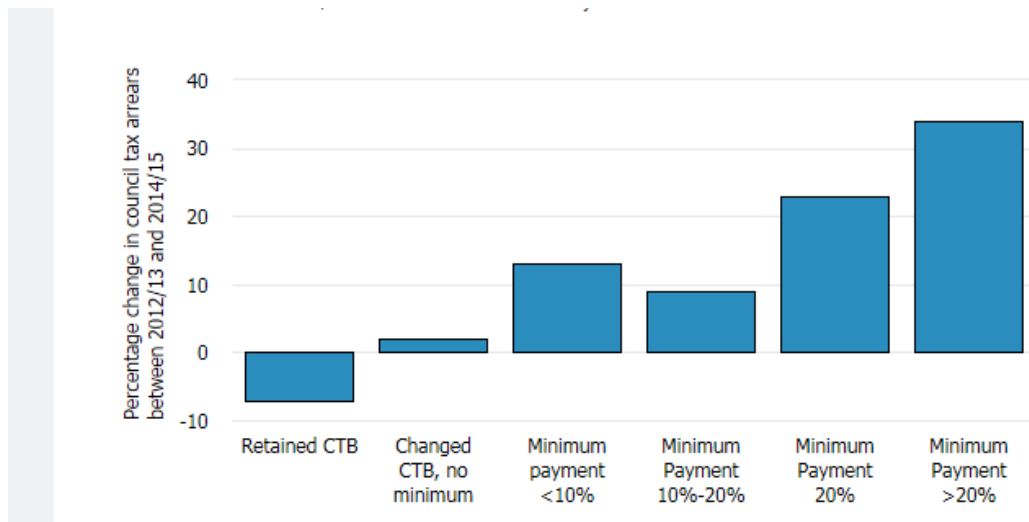
## **Costs of collecting Council Tax**

Whilst it is important that SSDC collect Council Tax to pay for local services, we have to be sure that we do not inadvertently spend too much Tax Payers money trying to do so, therefore making the scheme inefficient.

Members considered the following evidence to decide if the scheme and collection processes are effective and the costs are appropriate for recovering un-paid Council Tax:

- New Policy Institute (NPI) think tank article reported 259 councils had introduced a 'minimum payment' and also presented an increasing number of cases ending up in court and the detrimental impact of the additional court fees on low income households. Correlation between minimum payment and collection rates

From assessing all the schemes the New Policy Institute and Eric Ollerenshaw OBE have reported a correlation between an increase in Council Tax arrears and having a greater minimum payment.



The graph above shows the change in council tax arrears between 2012/13, the last year of CTB, and 2014/15, the second year of CTS. It shows arrears in respect of council tax liability for the year in question. The bars are grouped according to the scheme in place in each council in 2014/15, by whether they changed the scheme from CTB, whether they introduced a minimum payment, and the size of the minimum payment if one had been introduced. The change in arrears shown controls for change in the amount of council tax that was collectable over this period. It shows that, although arrears include residents who are not in receipt of CTS, those councils with a larger increase in minimum payment saw a bigger increase in arrears among the 45 councils that retained CTB, arrears fell in relative terms by 7%. Among other councils, the increase was smallest across the 36 local authorities that did not introduce a minimum payment, at 2%. For the 69 councils with a minimum payment of 20%, arrears were 23% higher. In the 47 councils with a minimum payment of over 20%, arrears rose 44%. - See more at: <http://counciltaxsupport.org/impacts/#sthash.RbGcJ7i3.dpuf>

- The SSDC collection costs up to and including the cost of issuing a summons - the cost of collection from 2<sup>nd</sup> reminder stage onwards is currently £47.00. The cost of the Liability Order is £18.00; the total charge is £65.00 – far less than other areas. The Charge is passed to the Tax payer to recover the additional costs the authority has incurred; this is fair to all tax payers.
- The process to recover arrears and the steps that are taken.
  - The revenues team have really encouraged people to use Direct Debit to pay their Council Tax lessening the amount of officer time require to follow up payments and collecting arrears.
  - The challenge the revenues team face is getting people to engage at the right point-before they receive a summons for non-payment. An information leaflet is sent out to people in arrears explaining the recovery process, when charges are incurred and how important it is to contact the revenues team if they experiencing difficulties paying.
  - Where there is an affordability issue, there is the provision of the additional discretionary support, although the promotion of this is limited, (this discretionary hardship provision is also monitored for trends and is detailed on page 10).

- Summons are only issued when a debt has reached an agreed amount and initially the Enforcement Agents “bailiffs” employed by SSDC work as a collection agent so there is no enforcement fee added helping to prevent disproportional costs to arrears and provide a further opportunity to identify those who are vulnerable The Enforcement agents SSDC employs has a very detailed vulnerable persons policy.
- The Ollerenshaw report which highlighted a key challenge moving forward was identifying those who are in a debt cycle and are unable to pay the Council Tax year on year, Eric Ollerenshaw OBE referred to this as stacking and suggested time needs to be spent with these individuals to identify if this is an affordability issue or a money management problem, in which case the Council Tax payer would benefit from training and advice. This could potentially increase the costs of collection but this could be a short term expense to improve the situation for the Tax payer, SSDC and other preceptors in the longer term, the Task and Finish group recommends an exercise is conducted to identify those households where stacking arrears is occurring and conducts a viability study of the different approaches that could be taken to collection and providing money management and or budgeting advice.

Members concluded appropriate processes are in place but feel more data and monitoring is required to further improve encourage early engagement, preventing increased collection costs for SSDC and Tax Payers incurring additional charges.

The Equality Steering Group, Disabled groups, carers, Gypsy and Travellers, BME communities, people with weak literacy skills, have raised the issue of communication and how Council Tax Support letters are very often very complex and confusing. This results in vulnerable customers failing to read the information and properly understanding the implications.

The Task and Finish group Recommends the Revenues and Benefits Officers consider providing a summary front sheet in plain English that details the sum owed/received and how to proceed.

The Task and Finish Group Recommends the Revenues team explore a referral system from external agencies to identify those who could be considered financially vulnerable.

### **Proposed amendments to the scheme taking account of future changes to the Council Tax Benefit Scheme for Pensioners, Housing Benefit and other National Benefits**

One of the Task and Finish groups ambitions for the CTS policy was to make the scheme accessible, part of achieving this was considering how the scheme criteria worked with other Benefits. Benefit Officers reviewed all proposed changes to the national Housing Benefit and Pensioner CTS schemes and provided examples to demonstrate the impact these would have. The Task and Finish group Members carefully considered the following proposed changes:

Proposal 1 - Removing the Family Premium for all new working age applicants

Proposal 2 - Removing the allowance in the calculation for third and subsequent children born after March 2017

Proposal 3 - Reducing backdating for new claims to one month

Proposal 4 - Reducing the period a person can be absent from Great Britain and still receive Council Tax Support.

Members reviewed the impact of each in real terms and concluded despite having reservations about some it would be appropriate to consult on all these potential changes, as it would be better to consider all the evidence and hear the perspective of the Tax payer, Council Tax recipients and group representatives.

## **Consultation**

Members considered how best to consult the South Somerset community with regard to the options to amend the scheme and suggested:

- The consultation should have the same look and feel as the initial consultation including additional questions with regard to Increasing Council Tax and Cutting services to help pay for the Council Tax Support scheme.
- What could be included in the examples that accompany the questions to aid public understanding of what is being proposed and the impact it would have on individual households

The consultation was:

- Circulated to representatives of vulnerable groups and minority groups
- Made available on-line and in paper
- Widely publicised via social media, SSSDC website and SSSDC public waiting areas
- Promoted on leaflets included with 4000 Council Tax Bills and 3500 Housing Benefit and Council Tax Support award letters.
- Extended by a further two weeks to try to encourage representatives of vulnerable and minority groups to participate.

## **Post Consultation**

56 responses were received, 2 of these were representative of groups.

The group had hoped for a bigger response but concluded; nothing more realistically could have been done to encourage more people to participate in the given timescale without spending a disproportional amount of effort and expenditure to outcome. Members also noted nationally how challenging the consultation requirements are and how difficult it is to get a good representational response. In the Independent Review of Local Council Tax Support Schemes – Eric Ollerenshaw OBE – March 2016 made a recommendation to Government, “The Statutory Consultation requirements should be clarified by Government, so that councils can take less risk –adverse approach. This should make consultations less burdensome on Councils, and more engaging to residents.”

The Task and Finish group recommend Benefits Officers explore the potential of creating a consultative group who can meet to discuss the Council Tax Support scheme. This would provide effective communication ensuring the motivation and potential impact is understood and feedback is insightful.

The group collectively reviewed each option/measure taking into account:

- Consultation results and comments
- Risk – The risks for South Somerset residents, Council Tax Support recipients and the Council



- Equalities – the group gave due regard to the characteristics as set out in the Equality Act 2010, in addition to this fairness and proportionality were considered

### **Review of Proposals: –**

In each of the first two proposals the “Proposed new scheme” is the consultation question. The “Revised proposed new scheme” takes account of the interaction of CTS with Universal Credit as explained earlier within the report.

#### Proposal 1 - Removing the Family Premium for all new working age applicants

Current scheme: the working age scheme includes a Family Premium in the calculation of the applicable amount for all families with one or more dependent children of £17.45 per week.

Proposed new scheme: new claims starting on or after 1 April 2017 from families with one or more dependent children would not have the Family Premium included in their applicable amount. This would make the scheme rules the same as those already in Housing Benefit and the Pension Age Council Tax Support scheme (which came into effect in April 2016).

In practice - when a CTS recipient has a first child they will receive child benefit and child/tax credits. This will increase their income (Child Benefit is disregarded but child/tax credits are not). In order for them to not lose out on Council Tax Support we would need to continue to award them a Family Premium.

### **Consultation analysis and Example comments**

80.85 % agree or strongly Agree to 19.15 disagree or strongly disagree

92% of the respondents did not receive Council Tax Support and 75.5% did not have Pre-school aged children, these two results could have influenced the agree figures.

Most of the comments received with regard to this proposal spoke of concerns for the families having to manage with too little and the detrimental impact that it could have on children.

### **Equalities and proportionality**

The group were reassured that those who are on a zero hours based contract would not be adversely affected and treated as though having a new claim so could be deterred from working because the assessment takes an average earnings over a period and would not cancel the claim if someone had a good week in terms of hours.

Equalities implications – There are no equalities implications if the revised proposed new scheme measure is approved.

### **External Evidence**

Families are predicted to be greatly affected by a number of Welfare reforms over the coming years, this in itself could make it difficult for families to pay Council Tax Support.

### **Recommendation**

It is recommended that this proposal is rejected.

### Proposal 2 - Removing the allowance in the calculation for third and subsequent children born after March 2017

Current scheme: the working age scheme includes an allowance of £66.90 for each child regardless of how many children are in the household.

Proposed new scheme: - The allowance will be limited to a maximum of two for each new claim or existing claims if there is a third or subsequent child born after 31<sup>st</sup> March 2017. This will mirror the restriction to two children in both Tax Credits and Universal Credit and would make the scheme rules the same as those being implemented in Housing Benefit and the Pension Age Council Tax Support scheme from April 2017.

In practice - A person who is in receipt of Tax Credits or Universal Credit will not get an extra addition for a third or subsequent child where it is born after 31 March 2017. This means the only additional income they will get for the third or subsequent child is Child Benefit.

Child Benefit is disregarded in CTS so if we continue to give an extra allowance in their applicable amount in our CTS scheme for the third or subsequent child the amount of CTS they get will go up as their income is unchanged in the means test. Not awarding an additional allowance will mean CTS entitlement remaining the same.

### **Consultation analysis and Example comments**

79.16 % agree or strongly Agree to 20.83% disagree or strongly disagree

92% of the respondents did not receive Council Tax Support and 75.5% did not have Pre-school aged children, these two results could have influenced the agree figures.

### **Equalities and proportionality**

Equalities implications – There are no equalities implications if the revised proposed new scheme measure is approved.

### **Recommendation**

Members recommend this proposal is approved

### Proposal 3 - Reducing backdating for new claims to one month

Current scheme: a working age claim for Council Tax Support can be backdated for up to 26 weeks. If a customer had a good reason for delaying making an application for Council Tax Support they could have their claim start from a date up to 26 weeks earlier.

Proposed new scheme: reduce the time limit for backdating to one month. This would make the scheme rules the same as those already in the Housing Benefit scheme and other welfare benefits.

No current CTS recipients would be affected by this change on 1 April 2017. It would only affect future claimants.

Therefore as at 1 April 2017 this change will not deliver any savings to the cost of the CTS scheme.

In order for a claim to be backdated the applicant is required to show “continuous good cause” as to why they were unable to make their claim sooner. This could be because they were seriously ill in hospital for example. Limiting the period of backdating could result in the applicant suffering financial hardship at the same time they are experiencing some other form of hardship or crisis.

### **Consultation analysis and Example comments**

50% agree or strongly Agree to 50% disagree or strongly disagree, the majority of people who provided a comment suggested the backdating period should be reduced to 3 months.

### **Equalities and proportionality**

There are no Equalities Implications for this proposal.

### **Recommendation**

Members concluded that it would be unfair to reduce this period given that the backdating is only awarded when good cause is shown and that taking this action could make someone or a family financially vulnerable.

It is recommended that this proposal is rejected because backdating is only provided where good cause is provided.

### **Proposal 4 - Reducing the period a person can be absent from Great Britain and still receive Council Tax Support.**

Current scheme: customers can be temporarily absent from their home for up to 13 weeks without it affecting their Council Tax Support, longer in certain circumstances. This is the same if the absence is within Great Britain or not.

Proposed new scheme: reduce backdating to a maximum of four weeks if the absence is outside Great Britain. This will make the scheme rules the same as those already in the Housing Benefit scheme and other welfare benefits. If a person intends to be away from Great Britain for more than 4 weeks then Council Tax Support would end on the day they leave home. Certain occupations will be exempt such as armed forces.

Time temporarily absent within Great Britain will remain the same.

No current CTS recipients would be affected by this change on 1 April 2017. It would only affect claimants if at some future point they spent more than four weeks outside Great Britain.

Therefore as at 1 April 2017 this change will not deliver any savings to the cost of the CTS scheme.

## **Consultation analysis and Example comments**

94 % agree or strongly Agree to 6 % disagree or strongly disagree,

There were comments that suggested the period should be reduced as it was not fair that people could go on holiday abroad for prolonged periods whilst being supported by Council Tax Support. Reasons for acceptable temporary absence are detailed in the scheme, please see appendix A

## **Equalities and proportionality**

The group felt where a person was whilst absent was irrelevant and it was more about the reason for the absence which is already prescribed for, for example if someone had become temporarily absent to care for a sick relative should someone who has had to travel abroad to do this be penalised? The group felt this was not fair and could be considered discriminatory and therefore the proposal should be rejected.

## **Projected Cost Saving**

Very difficult to identify a cost saving, there are very few of these cases reported each year, identifying when people are temporarily absent let alone where could be very administratively burdensome and not cost effective

## **Recommendation**

It is recommended that this proposal is rejected.

## **Other options**

We also consulted on alternative ways of helping to pay for the Council Tax Support scheme rather than reducing support.

## **Statement 1 – Increase in Council Tax**

We asked if people would be willing to pay more Council Tax to help pay for the Council Tax Support scheme.

72.55% agreed or strongly agreed that they would be willing to pay more Council Tax. (92% of respondents did not receive Council Tax Support)

An increase in Council Tax would increase the overall cost of the scheme as each recipient would be entitled to a higher award. This would reduce the value of the increase.

## **Equalities and proportionality**

Increasing Council Tax to Fund or part-funding the shortfall using this option may be justifiable for year one as a transition period. However year on year is a different matter as it may result in the Council not being able to raise enough revenue from Council Tax to maintain or introduce services that benefit the whole community

The taxpayers are getting less value for money, no extra or improved quality of service for greater cost.

This option means that the residents who pay their Council Tax would face an increase to arguably help subsidise services for low-income families.

### **Recommendation**

Task and Finish group recommend SSDC does not pursue these proposals in fairness to Tax Payers.

### **Statement 2 – Service cuts**

We asked if the level and range of local services should be reduced to help pay for Council Tax Support.

82.36 % of respondents did not want to see a reduction in the services provided by SSDC for this purpose.

### **Equalities and proportionality**

Members commented if services are cut, you are taking away from those who do pay their Council Tax; putting them at a disadvantage this is not fair. (We would also have to look at the equality impacts on each service that was potentially being cut to ensure compliance with the legislation).

### **Recommendation**

Task and Finish group recommend SSDC does not pursue these proposals in fairness to Tax Payers. Also when Council Tax is increased it also increases the cost of the scheme, this can be significant where the County Fire and Police precepts go up also.

### **Universal Credit**

A big unknown is how Council Tax Support will integrate with Universal Credit a standard national benefit; to date there is no detailed guidance. Universal Credit is very different from Employment Support Allowance, Job Seekers Allowance etc. People who claim Universal Credit have an appointment with a work coach to help get them ready for and into work, people have a to do list, including things such as creating a CV, searching for jobs, attending interview etc. this has to be done in order to qualify/receive Universal Credit.

Universal Credit is paid on a monthly basis, this will be a big change for some households who previously would have been receiving various benefit payments on a fortnightly and or weekly basis.

When Universal Credit rolls out in the spring it will include the Minimum Income Floor for people who are Self-employed. (This assumes that the self-employed individual earns the equivalent of the minimum wage for the hours worked)

These changes will cause some households a period of disruption, particularly those who are vulnerable, the changes in payment cycles may cause short term financial vulnerability and may require a different approach to discretionary support and the recovery process for Council tax arrears.

In Three Tears On: An independent Review of Local Council Tax Support Schemes Eric Ollrenshaw OBE March 2016 recommended Council Tax Support not to be included in Universal Credit and to remain a localised benefit. The report also went on to say

“I conclude that LCTS should not be moved into Universal Credit at this time. No-one has prepared for such a move, which would be complex and disruptive to both central and local government at this critical phase in the Universal Credit timetable. I also believe it would cause unnecessary financial risk to councils and bring confusion and disruption to LCTS recipients.”

## **Finance**

Currently the Department of Communities and Local Government provide funding for Council Tax Support and the Department of Work and Pensions provide funding for Housing Benefit. Currently, SSDC process Housing Benefit and Council Tax Support within the same team using the same system. This provides economies of scale. However, when Universal Credit is fully implemented SSDC will lose funding for Housing Benefit administration. Therefore there is a potential risk that the Council Tax Support administration funding will not be sufficient to meet the cost alone and could be decreased in the coming years . We therefore need to look at alternative ways to simplify the calculation of council tax support moving away from the approach used for Housing and Council Tax benefit to reduce the administration costs whilst trying to keep the scheme fair.

South Gloucestershire is the only Council to date to move away from the approach used for Council Tax Benefit and has introduced a scheme that uses income bands to determine the level of Council Tax Support Payable, however several authorities are reported to be looking to move towards a discount approach.

## **Recommendation**

The Task and Finish group recommends the Revenues and Benefits Officers look to identify the value of the potential decrease in administration grant and explore different methods of simplifying the scheme to reduce administration costs whilst meeting the Government criteria for CTS schemes, maintaining fairness and protecting those who are financially vulnerable.

As always with the CTS scheme if Council Tax increases, the scheme cost increase. If there is a downturn in the economy or a local employers close etc. the number of people requiring support could increase.

## **Final Conclusions**

The Task and Finish group concluded at the end of this review, that all evidence has suggested the scheme to date has been a success. The recommendations detailed in this report ensure the scheme for 2016/17:

- Is fair and has the minimum impact that is achievable, given the criteria set out by the Government, for all residents of South Somerset, not just those who are in receipt of Council Tax Support
- Provides stability to the recipients of Council Tax Support and will consequently provide a sound baseline to compare a discount based scheme against for future years.
- Is accessible, not too complex

That appropriate steps will be taken to continue to provide a scheme that is achieving the best outcome for the residents of South Somerset and the Council, effectively assessing Equalities and risks and providing appropriate mitigation.

### **Summary of Task and Finish Group's Recommendations for the Scheme**

The Task and Finish group have considered external evidence, best practice, impact analysis, equalities and risks throughout this review process and recommend amending the Council Tax Support scheme to reflect:

- Proposal 2 - Removing the allowance in the calculation for third and subsequent children born after March 2017

Task and Finish group recommend not pursuing proposals:

- Proposal 1 - Removing the Family Premium for all new working age applicants
- Proposal 3 - Reducing backdating for new claims to one month
- Proposal 4 - Reducing the period a person can be absent from Great Britain and still receive Council Tax Support
- Increasing Council Tax to help pay for Council Tax Support
- The level and range of local services should be reduced to help pay for Council Tax Support.

The group has considered the cumulative impact of the above recommended measures and those in the existing scheme by reviewing case studies, should amendments to the recommendations be proposed so as to reduce Council Tax Support further, additional analysis may be required.

### **Summary of Task and Finish Group's Recommendations relating to working practices**

The Task and Finish group recommends:

- Revenues Officers contact Lambeth Council with regard to their new Income and Debt Policy and explore the new processes and interventions they have adopted to look to further improve SSDC collection processes and ultimately the collection rate.
- Benefit Officers consider how best to promote the scheme across the charitable and volunteer sector to further raise awareness of the provision of the discretionary relief.
- The Task and Finish group Recommends the Revenues and Benefits Officers consider providing a summary front sheet in plain English that details the sum owed/received and how to proceed.
- The Revenues team explore greater promotion or more targeted promotion of the CTS Discretionary Hardship provision.
- An exercise is conducted to identify those households where stacking arrears is occurring and conducts a viability study of the different approaches that could be taken to collection and providing money management and or budgeting advice.

- The Revenues team explore a referral system from external agencies to identify those who could be considered financially vulnerable.
- Benefits Officers explore the potential of creating a consultative group who can meet to discuss the Council Tax Support scheme. This would provide effective communication ensuring the motivation and potential impact is understood and feedback is insightful.
- Revenues and Benefits Officers look to identify the value of the potential decrease in administration grant and explore different methods of simplifying the scheme to reduce administration costs whilst meeting the Government criteria for CTS schemes, maintaining fairness and protecting those who are financially vulnerable.



## Appendix A – Temporary Absence

<p><b>8.0 Temporary Absence (period of absence)</b></p> <p>8.1 Where a person is absent from the dwelling throughout any day then no reduction shall be payable</p> <p>8.2 A person shall not, in relation to any day, which falls within a period of temporary absence from that dwelling, be a prescribed person under paragraph 8.1.</p> <p>8.3 In paragraph 8.2, a 'period of temporary absence' means–</p> <p>a. a period of absence not exceeding 13 weeks, beginning with the first whole day on which a person resides in residential accommodation where and for so long as;</p> <p>i. the person resides in that accommodation;</p> <p>ii. the part of the dwelling in which he usually resided is not let or sub-let; and</p> <p>iii. that period of absence does not form part of a longer period of absence from the dwelling of more than 52 weeks,</p> <p>where he has entered the accommodation for the purpose of ascertaining whether it suits his needs and with the intention of returning to the dwelling if it proves not to suit his needs;</p> <p>b. a period of absence not exceeding 13 weeks, beginning with the first whole day of absence from the dwelling, where and for so long as;</p> <p>i. the person intends to return to the dwelling;</p> <p>ii. the part of the dwelling in which he usually resided is not let or sub-let; and</p> <p>iii. that period is unlikely to exceed 13 weeks; and</p> <p>c. a period of absence not exceeding 52 weeks, beginning with the first whole day of absence, where and for so long as</p> <p>i. the person intends to return to the dwelling;</p> <p>ii. the part of the dwelling in which he usually resided is not let or sub-let;</p> <p>iii. the person is a person to whom paragraph 8.4 applies; and</p> <p>iv. the period of absence is unlikely to exceed 52 weeks or, in exceptional circumstances, is unlikely substantially to exceed that period.</p> <p>8.4 This paragraph applies to a person who is;</p> <p>a. detained in custody on remand pending trial or required, as a condition of bail, to reside;</p> <p>i. in a dwelling, other than the dwelling referred to in paragraph 8.1, or</p> <p>ii. in premises approved under section 13 of the Offender Management Act 2007 as amended by the Offender Rehabilitation Act 2014, or, detained in custody pending sentence upon conviction;</p> <p>b. resident in a hospital or similar institution as a patient;</p> <p>c. undergoing, or his partner or his dependent child is undergoing, in the United Kingdom or elsewhere, medical treatment, or medically approved convalescence, in accommodation other than residential accommodation;</p> <p>d. following, in the United Kingdom or elsewhere, a training course;</p> <p>e. undertaking medically approved care of a person residing in the United Kingdom or elsewhere;</p> <p>f. undertaking the care of a child whose parent or guardian is temporarily absent from the dwelling normally occupied by that parent or guardian for the purpose of receiving</p>	
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- g. medically approved care of medical treatment;
- g. in the United Kingdom or elsewhere, receiving medically approved care provided in accommodation other than residential accommodation;
- h. a student;
- i. receiving care provided in residential accommodation other than a person to whom paragraph 8.3a) applies; or
- j. has left the dwelling he resides in through fear of violence, in that dwelling, or by a person who was formerly a member of the family of the person first mentioned.

8.5 This paragraph applies to a person who is;

- a. detained in custody pending sentence upon conviction or under a sentence imposed by a court (other than a person who is detained in hospital under the provisions of the Mental Health Act 1983 (as amended by the Mental Health (Discrimination) Act 2013), or, in Scotland, under the provisions of the Mental Health (Care and Treatment) (Scotland) Act 2003 or the Criminal Procedure (Scotland) Act 1995) or the Mental Health (Scotland) Act 2015; and
- b. on temporary release from detention in accordance with Rules made under the provisions of the Prison Act 1952 or the Prisons (Scotland) Act 1989

8.6 Where paragraph 8.5 applies to a person, then, for any day when he is on temporary release—

- a. if such temporary release was immediately preceded by a period of temporary absence under paragraph 8.3 b) or c), he shall be treated, for the purposes of paragraph 8.1, as if he continues to be absent from the dwelling, despite any return to the dwelling;
- b. for the purposes of paragraph 8.4 a), he shall be treated as if he remains in detention;
- c. If he does not fall within sub-paragraph a), he is not considered to be a person who is liable to pay Council Tax in respect of a dwelling of which he is resident

8.7 In this section;

- ‘medically approved’ means certified by a medical practitioner;
- ‘patient’ means a person who is undergoing medical or other treatment as an in-patient in any hospital or similar institution; ‘residential accommodation’ means accommodation which is provided;
  - a. in a care home;
  - b. in an independent hospital;
  - c. in an Abbeyfield Home; or
  - d. in an establishment managed or provided by a body incorporated by Royal Charter or constituted by Act of Parliament other than a local social services authority;
- ‘training course’ means a course of training or instruction provided wholly or partly by or on behalf of or in pursuance of arrangements made with, or approved by or on behalf of, Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise, a government department or the Secretary of State.