

Setting the Council Tax Support Scheme (CTS) for 2017/18

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Purpose of the Report

1. To request that Council agree the Council Tax Support scheme (CTS) for the 2017/18 financial year.

Public Interest

2. From April 2013 the Government changed the way in which financial help is given to residents to pay their Council Tax. The national Council Tax Benefit scheme was replaced with a local Council Tax Support scheme to help with the costs of Council Tax for those with low incomes. As part of the change the Government also cut the amount of money they give councils towards the scheme by 10%. The original South Somerset scheme was set taking this into account. By January 31st each year the council is required to review and set a Council Tax Support scheme for the next financial year.

Recommendations

3. The Council agree:
 - (a) that personal allowances and premiums are uprated in line with those for Housing Benefit;
 - (b) that non-dependent deductions are uprated in line with the annual percentage increase in Council Tax;
 - (c) that the non-dependent income bands are increased by the same percentage as those in the Prescribed Requirements relating to pensioners;
 - (d) that proposal 2 be approved;
 - (e) that proposals 1, 3 and 4 be rejected;
 - (f) that the hardship scheme budget be set at £30,000 for the 2017/18 financial year;
 - (g) to consider the Equalities Impact Assessment at Appendix 1 in approving (d);
 - (h) to consider the public consultation responses in the Equalities Impact Assessment and Scrutiny Task and Finish Group report in approving (d) and (e);
 - (i) to consider the interaction of Universal Credit and Tax Credits with the CTS scheme in approving (d);
 - (j) to note the recommendations of the Scrutiny Task and Finish Group attached at Appendix 3;

- (k) to note the scheme has been amended to reflect changes to the Prescribed Requirements;
- (l) that the 2017/18 Council Tax Support Scheme (circulated under separate cover as Appendix A) is adopted;
- (m) to note that the proposed Council Tax Support Scheme has been reflected within the overall Council Tax Base.

Background

- 4. The South Somerset Council Tax Support scheme (CTS) was introduced on 1 April 2013 and has now been running for almost four years. Councils are required to review and set their CTS scheme for each financial year by 31 January in the preceding financial year. Applications to the CTS hardship scheme are monitored, along with the Council Tax collection rate and reported to members each quarter.
- 5. We carried out an extensive consultation process prior to the introduction of CTS in April 2013 and the scheme proposals were carefully and fully considered by the Scrutiny Task and Finish Group. Each year we have carried out further consultation and some additional changes have been made to the scheme. It was the view of the Scrutiny and Overview Task and Finish Group that all previously adopted proposals be retained.
- 6. The SSDC Council Tax Support scheme states that certain elements of the needs assessment may be updated each financial year but does not specify the level of that updating.
- 7. The Scrutiny Task and Finish Group originally considered the methods of updating and recommended the following:
 - a. That while Housing Benefit (HB) still exists it would be appropriate for the CTS applicable amount figures (basic need allowance) to mirror those in the HB scheme
 - b. That non-dependent deductions are updated in line with the annual percentage increase in Council Tax
 - c. That the non-dependent income bands are increased by the same percentage as those in the Prescribed Requirements relating to pensioners

These methods were adopted in the original scheme and have retained.

Equality Impact Assessment

- 8. Councils have a legal responsibility to have due regard to the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 when setting a Council Tax Support scheme. There has been a High Court ruling that there was insufficient evidence that members making the decision to implement a CTS scheme had given due regard to the Equality Impact Assessment (EIA) that had been attached to the council report in order that they could discharge their statutory obligation.
- 9. It is important that members have due regard to the PSED when making their decision on the various scheme proposals.

10. The EIA in Appendix 1 to this report sets out the implications of proposals 1 and 4 to be considered by members and any mitigation or evidence relevant to each of them.

Council Tax Support scheme 2017/18 (Year 5)

The 15% minimum payment

11. The SSDC CTS scheme requires all working age recipients of CTS to pay a minimum of 15% Council Tax. This level was set for the first year of the scheme and although it was reviewed for the 2016/17 scheme it has remained unchanged.
12. The Scrutiny and Overview Task and Finish Group reviewed the minimum payment level prior to consultation and some research carried out to determine the possible impact of increasing it.
13. The evidence showed that those councils who had increased the minimum payment level had experienced a decline in their Council Tax collection rates and an increase in the level of Council Tax arrears. This leads to an increase in risk of bad debt and in resource demand for the recovery and enforcement of those debts. This risk is further heightened by other Welfare Reforms that are impacting on the working age group. It was therefore determined that it would be counter-productive to increase the minimum payment level for 2017/18.
14. Consideration was also given to reducing the minimum payment. Reducing the minimum payment from 15% to 12.5% would provide extra support in the range of 40p to 74p a week. There is no evidence to suggest that there are widespread affordability issues across the district and such a small increase is unlikely to make a material difference.
15. In addition, although a small increase in support for individual recipients it would increase the cost of the scheme by approximately £250k which would not be supported by the major preceptors given their financial pressures.
16. All of the proposals SSDC consulted on mirror changes to the national Housing Benefit and Pensioner CTS schemes. SSDC has not consulted on any other changes to the CTS scheme for 2017/18.

The Proposals in detail

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

17. 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.
18. 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).
19. 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 CTS we would need to continue to award them a Family Premium.

Equalities implications – There are no equalities implications if the measure is rejected.

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

20. Current scheme: the working age scheme includes an allowance of £66.90 for each child regardless of how many children are in the household.
21. 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 31st 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. Some exemptions apply.
22. Exemptions where the 3rd child is:
 - born before 6th April in existing claims
 - part of a multiple birth where previously fewer than two children
 - born as a result of rape
 - adopted from Local Authority care or
 - part of a sibling group adoption where there were previously fewer than two children in the household
 - at risk and living long term with family or friends (referred to as "kinship care arrangements") as they cannot live with their parents
 - subject of an allowance paid to the claimant by the LA
 - subject to a formal Child Arrangement Order or Special Guardianship Order, or where
 - the claimant is entitled to Guardian's Allowance; and is neither the parent nor step-parent of the child
 - Also a temporary exemption where the claimant's child for whom they receive an allowance has a child. This grandchild will continue to attract an allowance until the young parent reaches 16
23. In practice – Unless an exemption applies, 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.

Please see worked example of this proposal at Appendix B

24. 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.

Equalities implications – There are no implications if this measure is approved.

It is recommended that this proposal is approved.

Proposal 3 - Reducing backdating for new claims to one month

25. 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.
26. 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.
27. No current CTS recipients would be affected by this change on 1 April 2017. It would only affect future claimants.
28. Therefore as at 1 April 2017 this change will not deliver any savings to the cost of the CTS scheme.
29. 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.

There are no equalities implications for this proposal.

It is recommended that this proposal is rejected.

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

30. 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.
31. Proposed new scheme: reduce the period a person can be absent from Great Britain to a maximum of four weeks. 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.
32. Time temporarily absent within Great Britain will remain the same.
33. 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.
34. Therefore as at 1 April 2017 this change will not deliver any savings to the cost of the CTS scheme.
35. There are equalities issues arising from this proposal. The DWP equality analysis of this measure in Housing Benefit identifies that there may be a greater impact on Asian ethnicity and that this could result in a disproportionate impact on certain religious groups. The proposal would also be problematic and burdensome to administer.

There are no equalities implications for this proposal if it is rejected.

It is recommended that this proposal is rejected.

Other options

36. 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% agreed or strongly agreed that they would be willing to pay more Council Tax.

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.

It is recommended that this option is not pursued to help pay for the scheme.

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

It is recommended that this option is not pursued to help pay for the scheme.

Cost of CTS scheme

37. The number of recipients of CTS has continued to fall during 2016/17 in both the working age and pensioner groups which reduces the overall cost of the scheme. However it is very difficult to determine how long this trend might continue.
38. The cost of the scheme will increase where SSDC and other preceptors put up their share of the Council Tax.

Legislation Changes – Prescribed requirements

39. As at the time of writing we are awaiting details of changes to the prescribed requirements – these are elements of the scheme that are set by central government. Confirmation that these have been received will be given as a verbal update and a revised draft of the scheme will be sent to members.

Hardship Scheme

40. A Hardship Scheme was set up as a safety net for households who could demonstrate they could not afford to pay their Council Tax contribution following the introduction of the SSDC Council Tax Support Scheme.

41. The level of demand in 2016/17 suggests that a Hardship Scheme budget of £30,000 for 2017/18 should be sufficient. This spend is monitored monthly and reported to members each quarter.

Council Tax Collection Rate

42. It was anticipated that the in-year council tax collection rate would fall as a result of the introduction of the CTS scheme in April 2013.
43. There were also a number of changes to Council Tax discounts and exemptions introduced from April 2013 which impacted on the in-year collection rate.
44. The in-year collection rate fell in 2013/14 and again in 2014/15. However, collection performance improved in 2015/16 by 0.21% and this has been matched so far this year despite the total value of Council Tax to be collected rising by £5.1 million (5.9%) compared with last year. We are anticipating a very small rise in the collection rate by the end of the financial year as there are more taxpayers opting to pay over 12 months than last year. This means that we expect to receive more Council tax during February and March 2016 than in those months earlier this year.
45. This suggests that the current Council Tax Support scheme design is not adversely impacting collection rates.

Risks

46. The continued risk is that demand could rise and the current reductions we are seeing in the number of recipients reverses with a downturn in the economy. There is also a risk that reductions in other welfare support might result in an increase in entitlement to Council Tax Support. We will take any such changes into account when considering the Council Tax Support scheme for 2018/19 and beyond. It should be noted that the Task and Finish Group have raised concerns about the ability to make further reductions in the level of Council Tax Support in future years as the burden is placed solely on the working age recipients while the Government continues to protect pensioners. The Task and Finish Group have also stated that they would like to explore an alternative council tax discount scheme for 2018/19.

Financial Implications

47. If members agree the recommendations set out in this report there will be no financial implications associated with this report. An estimate of the costs of the CTS scheme along with assumptions for the number of new properties and council tax levels has been reflected within the Council Tax Base for 2017/18.
48. The main reason for review is to ensure that no groups are disproportionately affected by the scheme while balancing the expectations of the Council Tax Payer, the needs of low income households and the available resources.

Council Plan Implications

49. Council Plan 2016 – 2021:
Health and Communities - Support residents through national benefit changes including universal credit

Carbon Emissions and Climate Change Implications

50. None associated with this report

Equality and Diversity Implications

51. An equalities impact was carried out as part of the introduction of the Council Tax Support Scheme, which has been reviewed and updated for the proposed 2017/18 scheme.

Privacy Impact Assessment

52. None associated with this report

Background Papers

- Report to District Executive – January 2016 Item 6
- Report to District Executive – January 2015 Item 8
- Report to District Executive – December 2014 Item 10
- Report to District Executive – January 2013 – item 8