

Setting the Council Tax Support Scheme (CTS) for 2016/17

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1. Purpose of the Report

To request that Council agree the Council Tax Support scheme (CTS) for the 2016/17 financial year.

2. Public Interest

From April 2013 the Government changed the way in which financial help is given to residents to pay 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 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.

3. Recommendations

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 approval is given for proposals A and C to be incorporated into the 2016/17 scheme;
- (e) that proposals B and D be rejected;
- (f) that the hardship scheme budget be set at £30,000 for the 2016/17 financial year;
- (g) to consider the Equalities Impact Assessment at Appendix 2 in approving (d) and (e) above;
- (h) to consider the public consultation responses at Appendix 3 in approving (d) and (e) above;
- (i) to note the recommendations of the Scrutiny Task and Finish Group attached at Appendix 4;

- (j) to note the scheme has been amended to reflect changes to the Prescribed Requirements;
- (k) that the 2016/17 Council Tax Support Scheme at Appendix 1 is adopted;
- (l) to note that the proposed Council Tax Support Scheme has been reflected within the overall Council Tax Base.

4. Background

The South Somerset Council Tax Support scheme (CTS) was introduced on 1 April 2013 and has now been running for almost three 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.

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. We do not have any evidence at this stage to suggest that any of those original adopted proposals require amendment. It was the view of the Scrutiny Task and Finish Group that those adopted proposals be retained.

The SSDC Council Tax Support scheme states that certain elements of the needs assessment may be uprated each financial year but does not specify the level of that uprating.

The Scrutiny Task and Finish Group originally considered the methods of uprating and recommended the following:

1. 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
2. That non-dependent deductions are uprated in line with the annual percentage increase in Council Tax
3. 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.

5. Equality Impact Assessment

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 recent 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.

It is important that members have due regard to the PSED when making their decision on the various scheme proposals.

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

6. Council Tax Support scheme 2016/17 (Year 4)

The Somerset Benefit Managers group compiled a set of possible changes to the CTS scheme for 2016/17. The changes would provide options to reduce the cost of the scheme, to align the scheme with national policy and to incentivise a move into work. This list was considered by the Task and Finish Group and they proposed that four of those changes should be put forward for public consultation. The proposals are:

- a) To reduce the capital limit from £16,000 to £6,000
- b) To introduce a minimum income for the self-employed
- c) To introduce a Council Tax Band Cap
- d) To Increase the income taper for those not working while keeping the current lower income taper for those in work

7. The Proposals in detail

Proposal A - Reduce the amount of savings you can have and still receive Council Tax Support from £16,000 to £6,000

Current scheme: Up to £6,000 of capital/savings/investments and any other assets is ignored in calculating the level of Council Tax Support. Between £6,000 and £16,000 we add £1 to the weekly income used to decide entitlement for every £250 or part thereof. The value of a person's home is ignored.

Proposed change: Where the value of capital/savings/investments and any other assets held is £6,000 or more no Council Tax Support will be granted. The value of a person's home will still be ignored. This change would not apply to those on a passported benefit i.e. benefits paid at the basic needs level.

83 CTS recipients would be affected by this proposal and no longer receive support. This would save SSDC £6,200 and all preceptors £55,800.

The results of the consultation show that 58% of respondents agree or strongly agree with implementing this proposal.

Respondents considered £6,000 to be a significant level of savings with some commenting that they were in work and unable to save money. Savings of £6,000 would represent approximately four years of Council Tax at a Council Tax Band D.

It is recommended that this proposal is included in the 2016/17 scheme.

Proposal B - Introduce a self-employed minimum income

Current scheme: Actual income from self-employment is used in the calculation of Council Tax Support.

Proposed change: We would use a minimum income for the self-employed. This would be in line with the UK Minimum Wage/new national Living Wage for 35 hours a week. From October 2015 the Minimum Wage will be £6.70 an hour. The rate for 18

to 20 year olds will be £5.30 an hour. The new national Living Wage will be £7.20 from April 2016

This minimum income would not be applied during the first year of self-employment. If a self-employed person has restrictions on the number of hours they can work we will work out the minimum income proportionately.

393 CTS recipients would be affected by this proposal. This would save SSDC a maximum of £27,000 and all preceptors £243,000. We would need to take account of any limitations in the number of hours that could be worked and adjust the minimum income accordingly. This would reduce the level of savings which could be achieved.

The results of the consultation show that 46% of respondents agree or strongly agree with implementing this proposal.

This proposal was included in the consultation as it would align the CTS scheme with Universal Credit (UC). In UC the minimum income floor is designed to encourage people to be gainfully self-employed. Due to the limitations of the roll out of UC to date there is no evidence to determine whether it meets this objective and what the consequences of the policy are. There are several potential issues with this measure.

1. Consultation responses suggest that it could act as a disincentive to remaining self-employed.
2. **Equalities implications** - A significant proportion of self-employed CTS recipients are single parents (40%) who do some self-employed work around their childcare responsibilities and there would be a disproportionate impact on this group.
3. Assuming someone has an income higher than they actually do raises the risk that the additional Council Tax they are asked to pay could be uncollectable.

It is recommended that this proposal is not included in the 2016/17 scheme.

Proposal C - Introduce a Council Tax Band cap.

Around 95% of working age Council Tax Support recipients live in properties in Council Tax band A, B or C. This proposal limits the amount of help people who live in a higher value property can get.

Current scheme: The annual charge (less any discounts) for the Council Tax band of the property the applicant lives in is used to calculate Council Tax Support entitlement.

Proposed new scheme: Limit the charge used to calculate Council Tax Support entitlement to the Band C charge for the parish the applicant lives in.

254 CTS recipients will be affected by this proposal. This will save SSDC £6,400 and all preceptors £57,600

The results of the consultation show that 47% of respondents agree or strongly agree with implementing this proposal.

Respondents commented that people who live in larger properties should pay more and that it might act as an incentive to downsize to a smaller property where this is possible. Some concerns were raised about the impact on older people and whether it might cause financial hardship. The scheme only applies to working age recipients as pensioners are protected. An application to the hardship scheme could be made if financial hardship is experienced as a result of this measure.

Equalities implications - This proposal might have had a detrimental impact on families from minority ethnic groups who have larger families as part of their culture. Analysis of the 43 larger families* who would be affected by the proposal shows that:

33 households have indicated they are white British, 2 households British, 1 household white Irish and in the other 7 cases we do not hold details of their ethnic group.

*Larger families are those who have 4 or more children.

It is recommended that this proposal is included in the 2016/17 scheme.

Proposal D - Increase the Income taper for those not working while keeping the current lower income taper for those in work.

Current Scheme: For every £1 of weekly income above the basic needs allowance we reduce Council Tax Support by 20 pence a week. This is the same for those who work and those who do not.

Proposed new scheme: For those who do not work we will reduce Council Tax Support by 65 pence for every £1 of weekly income above their basic needs allowance. Those who are working will not be affected by this change.

311 CTS recipients would be affected by this proposal. This would save SSDC £13,800 and all preceptors £124,200 if the measure were applied to all non-working households including those unable to work.

The results of the consultation show that 57% of respondents agree or strongly agree with implementing this proposal.

Due to the very wide range of circumstances of CTS recipients in this group it was decided to put a general example in the consultation form. From the consultation responses it appears likely that the more general example has influenced the outcome. The measure is designed to encourage people in to work and the consultation response reflects this.

Equalities implications - However, a significant proportion of those in the non-working group are unable to move in to work and receive long-term out of work benefits. Also included in this group are those who receive maternity allowance.

It is recommended that this proposal is not included in the 2016/17 scheme.

Combination of recommended proposals

The value of savings from proposal A (capital limit) for SSDC is £6,200 and all preceptors £55,800. The value of savings from proposal C (Band cap at C) for SSDC is £6,400 and all preceptors £57,600.

The value of savings when proposal A and C are taken in combination for SSDC is £11,900 and for all preceptors £107,300.

8. 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.

46% 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.

60% 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.

9. Cost of CTS scheme

The number of recipients of CTS is falling 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.

The cost of the scheme will increase where the SSDC and other preceptors put up their share of the Council Tax.

There have been two announcements in the Chancellor's Autumn Statement/Spending Review that would impact CTS if they are taken up.

- a) Government is giving Police and Crime Commissioners greater flexibility in local funding decisions and rewarding those areas who have historically kept Council Tax low.
- b) A new Social Care precept has been created to give authorities who are responsible for social care the ability to raise additional funding ring-fenced to spend on social care. Those authorities can raise additional council tax of up to 2% above the current threshold.

- c) Somerset authorities are able to raise council tax by an additional 1.25% as interim funding for the SRA (Somerset Rivers Authority).

It is not yet known whether these increases will take place but we have allowed 1.95% as an overall increase. Any increases above this sum will have an impact on the Collection Fund for 2016/17 and will need to be taken into account for setting the Tax Base in 2017/18.

10. Legislation Changes – Prescribed requirements

Each year the Department for Communities and Local Government prescribe certain elements that must be included in a Local Council Tax Support scheme. These prescribed requirements relate primarily to those who have reached the qualifying age for State Retirement Pension. The SSDC scheme has been updated to include these requirements.

11. Hardship Scheme

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.

The level of demand in 2015/16 suggests that a Hardship Scheme budget of £30,000 for 2016/17 should be sufficient. This spend is monitored monthly and reported to members each quarter.

12. Council Tax Collection Rate

It was anticipated that the in-year collection rate would fall as a result of the introduction of the CTS scheme in April 2013.

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.

The in-year collection rate has fallen in each of the last two financial years. In the current financial year the in-year collection rate at the mid-year point was identical to the same time last financial year. We are predicting a slight 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.

This suggests that the Council Tax Support scheme design is not adversely impacting collection rates.

13. Future monitoring and review

The Task and Finish Group have made a number of recommendations relating to the future monitoring of the Council Tax Support scheme. Officers are happy to carry out those recommendations for the coming financial year.

The Task and Finish Group have also made a number of suggestions relating to procedural matters on Council Tax arrears collection which officers will consider in the new year.

14. Risks

The continued risk is that demand rises 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 (e.g. Universal Credit) 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 2017/18 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.

15. Financial Implications

If members agree the proposals set out in this report it will reduce the cost of the CTS by £107,300. An estimate of the costs of the CTS along with assumptions for the number of new properties and council tax levels has been reflected within the Council Tax Base for 2016/17.

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.

16. Council Plan Implications

Council Plan 2012 – 2015

Focus Three: Homes - "Minimise impact to our residents of the major changes to housing and council tax benefits proposed by the Government."

17. Carbon Emissions and Climate Change Implications

None associated with this report

18. Equality and Diversity Implications

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 2016/17 scheme.

19. Privacy Impact Assessment

None associated with this report

20. Background Papers

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

Appendices 1 – 4 circulated in separate document.
