



# Monitoring SSDC Council Tax Support Scheme

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

November 2015

## 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 commenced a Task and Finish exercise that worked in parallel with officers to develop a local scheme.

The Task and Finish group 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 their funding arrangements. The grant that SSDC received to help low income households pay their Council Tax ceased to exist. For 2015/16 the funding was received as part of the Revenue Support Grant; no figure is prescribed or ring-fenced specifically for this purpose.

The original report recommended specific monitoring work is undertaken and that the scheme be reviewed if the funding were amended. This report details this review process and recommendations for the Council Tax Support scheme for 2016/17.

I would like to take this opportunity to thank the officers who supported us on this review for their patience and positive approach, helping the Task and Finish group to make informed decisions and produce this report.

*Sue Steele*

Scrutiny Committee Chair

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## **Task and Finish Group Membership**

Councillor Sue Steele - Chair of Task and Finish Group  
Councillor Dave Bulmer  
Councillor David Norris  
Councillor Sue Osborne  
Councillor Carol Goodall - as previous Chair was asked to attend in an expert capacity

The members for this monitoring Task and Finish exercise all worked on the original review, it was felt that the level of knowledge and expertise required would make it difficult for new members to fully participate.

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 reconvened in January 2015 to carry out monitoring work to ascertain if the scheme is effective - achieving the original ambitions of the group and consider options to reduce scheme costs from the county-wide officer group.

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 it 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)

The group agreed the ambitions and principles were relevant and appropriate for the review of the scheme and used these criteria when considering all information, data and proposals for amendments to the scheme.

## **Monitoring**

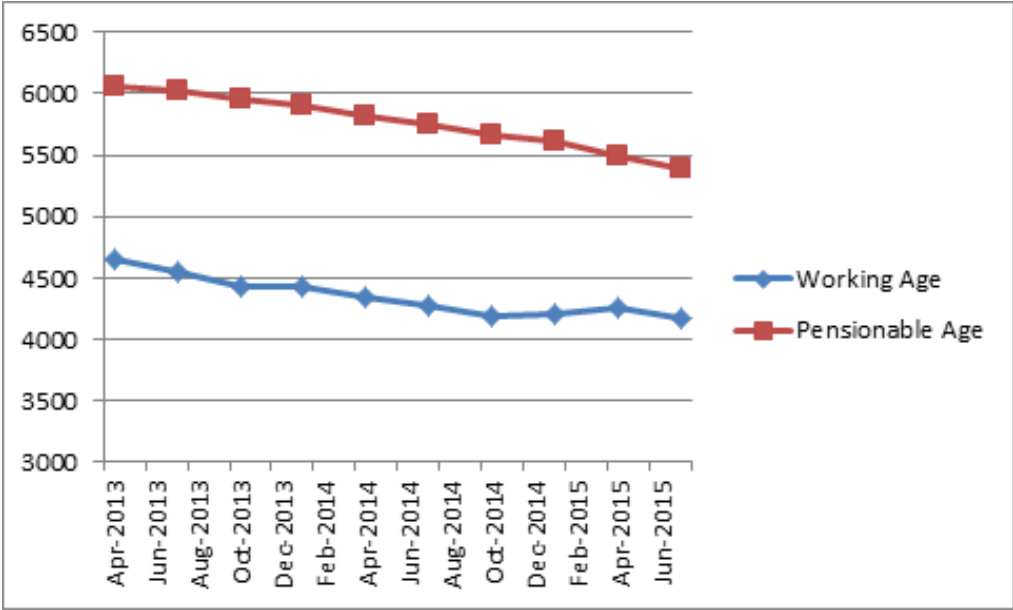
This chapter of the report details the monitoring activities the Task and Finish group undertook to establish the effectiveness of the current scheme.

Members felt that it was important to learn from the experience of other authorities who adopted different schemes. The group considered a paper written by the Institute for Fiscal Studies – Council Tax Support Schemes in England: What Did Local Authorities choose, and with What Effects? This documented 83% of Local Authorities introduced a new scheme that differed to Council Tax Benefit and explained the scheme characteristics chosen by authorities and the effects of these. Members were content with the characteristics that made up the SSDC scheme and positive that no new effects or risks had been highlighted.

The group sought to identify best practice with regard to scheme design and the collection and enforcement of Council Tax Arrears and considered a paper by the New Policy Institute – Managing the challenges of localised Council Tax Support, what are the options for council June 2015. The report noted that many other authorities are in a similar situation to that of SSDC. This provided reassurance to members with regard to the scheme design and the monitoring measures that had already been introduced. The difficulty now, is knowing how

best to manage those cases where people in receipt of Council Tax Support have two or more years Council Tax arrears, this is considered later in the report.

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). These figures are represented in the chart below:



This gradual decline is very reassuring. The evidence behind the decrease shows that many of the working-age households have increased their income, the majority of whom will have either moved into work or increased their hours; consequently there is less dependence on SSDC to help pay their Council Tax.

The original report recommended, creating a hardship fund for those people who are financially vulnerable and monitoring all awards from the hardship fund. All awards are logged and closely monitored by staff. Members reviewed the numbers of those that have been successful and the reasons why to identify if the scheme is creating any financial vulnerability for a specific group. No trend was 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 at fault.

In the original report members stated having done an analysis of basic living costs they were particularly concerned for:

- Non-dependents receiving Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance assessment phase if aged under 25 but not less than 18
- Non-dependants aged over 25 receiving Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance and living in rented housing and where the parent/head of household is claiming housing benefit.

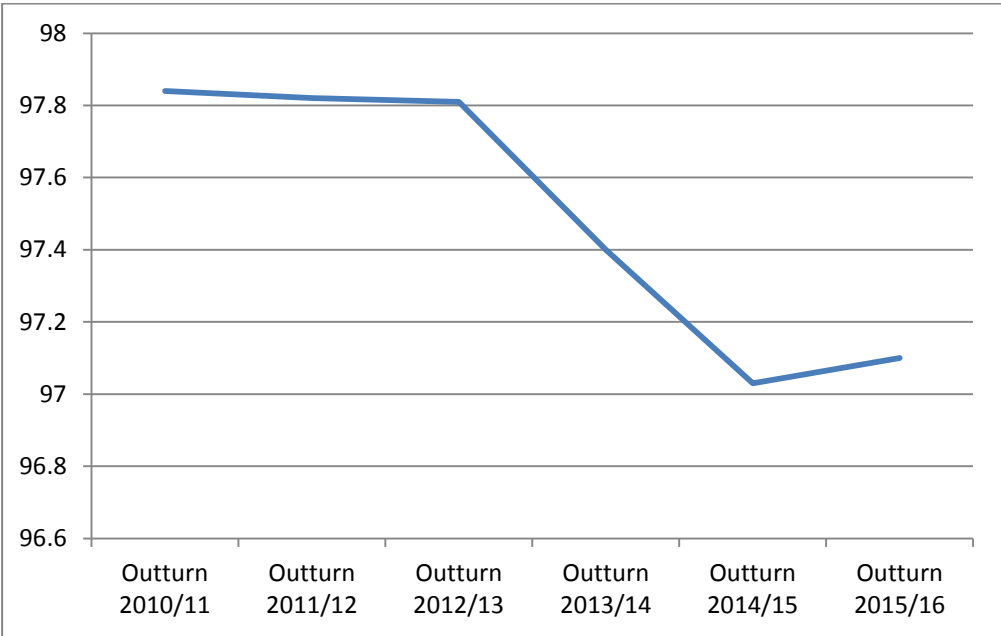
There is no evidence to date (from reviewing the hardship applications and Council Tax Support recipients with Council Tax Arrears) to suggest that the impact of the scheme has made this group financially vulnerable.

A couple of referrals to the Hardship Scheme have been received from the Citizens Advice Bureau and Yarlinton Housing Group. This is encouraging, it shows that there is appropriate knowledge of the scheme with professional bodies in South Somerset and is a positive indication that the scheme is affordable as so few cases have been referred. However it is worth mentioning the Citizens Advice Bureau (CAB) have commented that the group that are having the most difficulty paying Council Tax are single low paid workers and Families with Non-dependents, usually grown up children who are unable to cover the deduction from their income. CAB also note that families with children seem to be better able to cope with the additional Council Tax liability.

The Revenues team will work closely with CAB to review cases over the coming year to identify any trends and how best to prevent financial vulnerability under the Council Tax Support scheme.

Members have requested monitoring of the hardship rewards continue, to date there have been very few applications compared to the numbers that are in arrears with their Council Tax and therefore the numbers may increase. Monitoring this is the best way to identify real financial vulnerability, potential issues with the scheme and potential Council Tax collection problems.

In the original report it was recommended that Council Tax collection rates are 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 we need 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) as a percentage and includes the projected collection rate for this financial year.



There has been a very slight decrease in the collection rates since Council Tax Support was introduced; however there have been 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 will have contributed to the decrease in collection rate, it's also worth mentioning the decrease is in line with Council Tax Collection rates across England, the average fell in 2013/14 from 97.4 % to 97.0% and then remained at 97% for 2014/15<sup>2</sup>.

The group specifically conducted analysis of cases where Council Tax Support is in payment and the Council Tax account is in arrears. The group reviewed information on a randomly selected 50% of cases and concluded there was no evidence at this stage to suggest that the arrears were as a result of people not understanding they should pay or couldn't afford to pay. There is evidence that the recovery actions are effective in encouraging people to pay and sign up to payment plans, however it is too early to measure the effectiveness of specific actions.

It is documented<sup>3</sup> that some councils have altered some of the measures in their schemes as they had seen evidence to suggest that the scheme was causing disproportionate arrears and recovery costs. It's therefore vital that this detailed monitoring of arrears continues to best manage the scheme and have an effective and efficient approach to collection and recovery.

Moving forward the group would like to see the cost of collecting Council Tax measured. It is important to ensure the balance is correct, whilst we must make certain that we 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 were concerned that the number of applications to the hardship fund from those households where recovery action had been taken appeared to be disproportionately low. The group have recommended that the recovery process is reviewed to establish how best to issue applications to the hardship fund to prevent recovery action being taken and additional charges being added to a Council Tax Account where the household would be considered financially vulnerable.

The group have also requested that the Revenues officers consider:

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<sup>2</sup> Department of Communities and Local Government

<sup>3</sup> New Policy Institute – Managing the challenges of localised Council Tax Support – what are the options for councils? June 2015

- A report by the Children’s Society – The Debt Trap, The Wolf at the Door this report makes recommendations with regard to recovering Council Tax debt from families with children
- Requesting liability orders for 2014/15 and 2015/16 or at least multiple years to keep court costs to a minimum
- Working with food banks and job clubs across the area to ensure the best advice regarding benefits, managing debt and seeking work is signposted and to re-iterate if there are problems paying Council Tax to seek help and advice early to prevent incurring any recovery related costs

### Options from County-wide Officer Group

The County-wide officer group was created in April 2014 with the support of a technical consultant in the field of Revenues and Benefits to collaboratively identify options to:

- Reduce the overall cost of the schemes
- Reduce administration costs in anticipation of changes to the administration subsidy
- Identify what is happening in Social Security Benefit Policy and ensure where practical good alignment in any revised scheme
- Bring closer alignment of the schemes across Somerset.

The Task and Finish group agreed to act as a Sounding Board – to provide South Somerset Officers with a member reference point to consider the options being developed by the County-wide Officer group. In order to achieve this, the Task and Finish group met between Officer Meetings, giving officers time to obtain evidence and additional information specific to South Somerset’s Council Tax Support recipients.

In February the Task and Finish group met to discuss the range of options put forward by the County-wide officer group. The group considered the options alongside their ambitions and principles. The group gave feedback explaining why they would like the option included or excluded in the South Somerset Council Tax Support scheme for 2016/17. **Appendix A**

The Project officer group progressed all the options the Task and Finish group had shown a willingness to include in a revised scheme or had not discounted and provided:

- The number of cases affected by each option
- Case examples to illustrate the financial impact of each of the options and cumulative impact on different households
- The potential savings should the option be included in a revised scheme
- The cumulative effect of the options

The evidence was discussed and members agreed not to progress the following options to the consultation stage:

Option	Reasons for excluding from scheme
Limit on the number of dependants for which an allowance is made in the needs assessment	Members felt although there had been a lot of publicity surrounding this in the national press there was insufficient evidence and information with regard to the national policy direction on this.



Option	Reasons for excluding from scheme
Include all Child Benefit payments as income	Members agreed to wait and see what the national policy direction is on this, and previously highlighted in the original report ‘that this option does not change the level of support for those with no private income but it reduces support for low-earning families, so it weakens the incentive for families to have someone in low-paid work while strengthening the incentive for some families to have a second earner <sup>4</sup> ’
Disregard child benefit for 1 <sup>st</sup> child only	As above
Disregard child benefit for 1 <sup>st</sup> two children only	As above
Include disability living allowance and personal independence allowance as income	Members had concerns over equality issues and in particular the need to maintain a separation between ‘needs’ and ‘means’ testing.

## 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
- 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 delayed by 2 weeks due to the Emergency Budget being announced, as any decreases to Social Benefits could have a direct impact on the Scheme and increase costs

The consultation opened on 15<sup>th</sup> July 2015, to ensure as many people as possible across South Somerset were made aware of the consultation and were represented the consultation was:

- Circulated to representatives of vulnerable groups and minority groups
- Was presented to the Equalities Steering Group
- Made available on-line and in paper
- Available in an Easy-read format
- Detailed in a letter to all those who could be affected by the changes proposed in the consultation
- Detailed in an e-mail to 1500 Council Tax Support recipients’ and 1500 residents who are charged full Council Tax
- Widely publicised via social media, press, SSDC website and SSDC public waiting areas

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<sup>4</sup> S Adams and J Browne, Reforming Council Tax Benefit – IFS Commentary C123, Chapter6, Section 6.7, Page 77, The Institute of Fiscal Studies (May 2012)

- Promoted on leaflets included with approximately 2000 Council Tax Bills and 500 Council Tax Support award letters issued during the consultation period

276 responses were received, 2 of these were representative of groups. The total number of responses provided a 95% confidence level - we can be 95% sure that the SSDC population would have answered within a range of +/- 6% of the consultation outcome. For example 58% agreed with the proposal to reduce the capital limit. This means we can assume had all of SSDC population responded the result would be between 52% and 64% that agree.

The group had hoped for a bigger response but concluded; nothing more realistically could have been done to encourage more people to participate without spending a disproportional amount of effort and costs to outcome.

### **Post Consultation**

In addition to the consultation results, the group scrutinised all the comments provided alongside the consultation answers to assess the impact of the proposals on residents.

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
- External Evidence – Institute for Fiscal Studies – Council Tax Support Schemes in England: What Did Local Authorities Choose and with What Effects, New Policy Institute – managing the challenges of localised Council Tax Support

## **Review of measures**

### **Proposal A - To reduce the capital limit from £16,000 to £6,000**

Current scheme up to £6000 of capital/savings/investments and any other assets is ignored in calculating the level of Council Tax Support. For any amount 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 also 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.

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

58% agree or strongly Agree to 42% disagree or strongly disagree.

Agree - Working age people have the ability to get themselves out of a problem as elderly and infirm cannot.

Agree - I have been both a benefit recipient in receipt of Council Tax Support and a worker paying full council tax. I do not believe you need support if you have over £6,000 in savings. Council Tax payers should only subsidise essential needs not protect large savings.

Agree - We have no savings and live from week to week, anyone who can save £6000 should not be getting benefits in my view. If benefits remain the same, this policy will make people considerably poorer.

Disagree - In the two examples the weekly available money reduces by 5% and then 9%, these are exorbitant amounts given the additional hits these families will experience as a result of proposed welfare cuts.

Disagree - This makes it difficult for families to get themselves into a better situation.

Disagree - Reducing it to £6,000 is too low. How is anyone on a low income supposed to save up and get a mortgage? I work 40 hours a week and earn just above minimum wage, no other benefits, just enough to live after bills.

### **Risks**

New people claiming Council Tax Support may not declare all their savings – The benefits team have a number of measures in place both at the time of application and during the life of the claim to ensure that any risk of non-declaration is minimised or identified.

If an individual has over £6,000 invested in such a way that they have to give notice to access it. This could result in them being unable to afford their Council Tax until the notice period has completed. The mitigation for this, should this proposal be agreed by members is:

- Notice will be given as soon as possible to households that will be affected
- Request for payment will be deferred where evidence is provided to show an individual cannot pay until their savings are accessible.

All Council Tax Support recipients who have over £6000 in capital would no longer qualify for Support and would therefore also not be eligible to apply to the hardship fund but could still apply for a discretionary reduction in council tax liability – this however is solely funded by SSDC, and subject to strict criteria.

### **Equalities and proportionality**

83 cases affected, a breakdown of the 83 cases is detailed in the table below:

<b>£</b>	<b>Employed</b>	<b>Other Income</b>	<b>Total</b>
6000-6999	10	6	16
7000-7999	2	8	10
8000-8999	6	9	15
9000-9999	4	4	8
1000-10999	3	3	6
11000-11999	3	4	7
12000-12999	2	3	5
13000-13999	3	2	5
14000-14999	2	4	6
15000-15999	0	5	5
Total	35	48	83

### **External Evidence**

Across the Country 49 authorities also have this proposed measure at £6000.00 in their 2014/15 schemes<sup>5</sup>. The group have found no evidence to suggest these authorities or best practice have identified any disproportional impact on any specific group or that it has impacted on Council Tax Collection.

### **Projected Cost Saving**

£62,000

### **Recommendation**

The intention of protecting savings is to not dis-incentivise saving and to some degree help reward and incentivise work.

The Task and Finish group feel that £6000 is more than sufficient to cover any emergencies and questioned if it is right if you have significant savings that Council Tax payers help pay your Council Tax when they may not have any savings themselves?

Task and Finish group agreed to recommend this proposal to Scrutiny Committee for Consideration.

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<sup>5</sup> New Policy Institute – 2014/15 figures updated by Institute of Fiscal Studies

**Proposal B - Introduce a self-employed minimum income (35 hours or less depending on personal circumstances x minimum wage).**

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. The Minimum Wage is £6.70 an hour. The rate for 18 to 20 year olds is £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.

The original motivation for this proposal to be included in the survey was alignment with universal credit/welfare policy. Whose intention was to make all self-employment gainful.

**Consultation analysis and example comments**

46% agree or strongly agree to 54% disagree or strongly disagree.

Agree – I agree, I think you will need to give people who have just started a business a chance.

Disagree – How on earth can you penalise someone who is self-employed for not earning enough money. This is ridiculous and unfair.

Disagree – This is very unfair – calculations should be on actual income, otherwise there will be greater hardship.

Disagree - You would destroy any incentive I have struggling to make the business work.

**Risks**

The Task and Finish group feel this proposal may:

- Prevent work being beneficial to people and therefore may go against Governments criteria about incentivising work.
- Make people financially vulnerable as increasing their income which means awarding less Council Tax Support or no longer eligible for any award and would therefore also not be eligible to apply to the Hardship Fund but could still apply for a discretionary reduction in council tax liability – this however is solely funded by SSDC, and subject to strict criteria.

Universal Credit has not been rolled out to the extent that it was originally intended and therefore issues and unintended consequences of the minimum income floor probably have not been identified yet.

**Equalities and proportionality**

393 households in receipt of Council Tax Support are self-employed, almost 40% of households that would be affected are lone parents 124 female and 23 Male and therefore unlikely to be able to work full-time.

152 Single females would be affected.

62 Single males would be affected.

The disproportional impact of this will be reported to the Department of Work and Pensions for consideration.

The flexibility that self-employment offers to work around child care (evenings etc.) and negate child-care costs is probably why there is such a concentration of lone parents. The Task and Finish group feel putting this additional financial pressure on this group may prevent them continuing their self-employment, which long term could have a damaging impact on South Somerset's diversity of skills and employment.

### **External Evidence**

There was no mention of this particular scheme measure in any of the documentation we have read to date.

### **Projected cost saving for the scheme**

The savings for this are very difficult to project as we do not know how many hours people are able to work. The maximum savings for this would be £270,000 assuming everyone could do full time hours which would not be the case.

### **Recommendation**

Task and Finish group recommend SSDC does not pursue this proposal. The group recommends SSDC invest time signposting people who are self-employed to appropriate free sources of business advice to try to improve profitability and as a consequence reduce the need for Council Tax Support.

### **Proposal C - Introduce a Council Tax Band cap at band C**

(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.

### **Consultation analysis and Example Comments**

47% agree or strongly agree to 53% disagree or strongly disagree. Some consultees misinterpreted this question, this is evident by the comments they made.

Agree – I think if people live in larger houses, they should expect to pay more. They can always take in lodgers to help.

Agree – If they can afford the running costs of a large house, they can afford to find the difference of this proposal.

Agree – This might encourage people to downsize and free up larger properties for families or they could take in a lodger.

Disagree – The reasons for living in a bigger house can be many fold and this should be taken into consideration. E.g. in my own circumstance I live in a disabled adapted house which is well located to local services.

The regulations make provision for this in the form of a Disablement Banding reduction this provides a discount the equivalent of a Council Tax Band, it is given where a disabled person lives in a larger property than they would usually need if they weren't disabled.

The person has to show they have either:

- an extra bathroom, kitchen or other room that you need for the disabled person
- extra space inside the property for using a wheelchair

The property must be the main home of at least 1 disabled person. This can be an adult or a child - it doesn't have to be the person responsible for paying the Council Tax.

Disagree – Owning a house in a higher band does not mean you have plenty of disposable income.

Disagree – Depends on income, someone could be living in a house they have inherited but have a low income.

Disagree – Widowers who have lived in a house a long time will find it difficult to move.

## **Risks**

This proposal is not means tested - it is not linked to affordability, the same as the 85% cap (maximum Council Tax Support Award), therefore could pose a greater risk for non-payment.

## **Equalities and proportionality**

There are 75,500 properties in South Somerset. Of these 65% are in Bands A, B and C. The proportion of Council Tax Reduction recipients living in Bands A, B and C is 95%.

If the cap was introduced at a band C 254 cases out of the total working age caseload of 5572 would be affected.

This proposal may be considered unfair for large families, some of which may have several generations living together. There could potentially be a disproportionate impact on the grounds of Race or Religion or Belief. The Task and Finish group reviewed the households that could be impacted by this proposal and there is no evidence of disproportional impact, the majority of households in the higher bands that would be affected are couples or single people. A number of the consultation comments suggested Widows would be unfairly impacted upon. Widowers who are pensioners are protected by the previous Council Tax Benefit Rules. The Discretionary Hardship Fund is available for working age widowers.

Hardship payments will be monitored so should identify any unforeseen adverse impact on SSDC or any particular groups.

## **External Evidence**

18% (59) of local Authorities have already restricted support to a particular Council Tax Band; the majority of authorities that have introduced this have chosen Band D<sup>6</sup> (including neighbouring authority Sedgemoor District Council).

Across the country 16 Councils have a band cap at D or below, 3 Councils have a band cap at C or below as part of their Council Tax Support scheme<sup>7</sup>.

9 authorities have a band cap at D or above with a maximum Council Tax Support award set at set 80% or lower, the SSDC scheme is set at 85%.

Many authorities like us are in the process of reviewing their schemes, there is evidence that a number of authorities are considering introducing a band cap and others lowering the band cap they have in their current scheme.

**Projected cost savings for the scheme**

The savings for this would be £64,000 if capped at Band C.

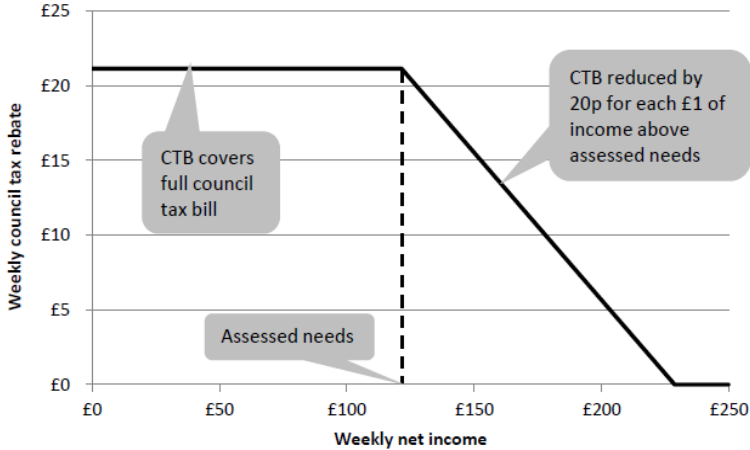
**Recommendation**

The Task and Finish group questioned if it is fair for tax payers to be helping pay Council Tax for a large property when others who pay their Council Tax cannot afford to live in a spacious home?

Task and Finish group agreed to recommend this proposal to Scrutiny Committee for Consideration.

**Proposal D - to increase the income taper for those out of work to 65%**

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 as illustrated in the following diagram<sup>8</sup>:



<sup>6</sup> S Adams and J Browne, *Reforming Council Tax Benefit - IFS Commentary C123*, Chapter 2, page 8 The Institute of Fiscal Studies (May 2012)

<sup>7</sup> New Policy Institute – 2014/15 figures updated by Institute of Fiscal Studies

<sup>8</sup> S Adams and J Browne, *Reforming Council Tax Benefit - IFS Commentary C123*, Chapter 2, page 18 The Institute of Fiscal Studies (May 2012)



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.

### **Consultation analysis and Example Comments**

57% agree or strongly agree to 43% disagree or strongly disagree.

Agree – Reward those who work and not those who deliberately choose not to.

Agree – They would still get some help for Council Tax

Agree – Work more pay less, wins both ways lower council tax and more cash from working.

Disagree – We feel that scheme should be fair to all – Mr K may be unable to work and will be penalised for this.

Disagree – regardless of whether you work or not, the amount of money you need to is the same. A lot of people don't work because they are bringing up children alone, and are unable to find work that is suitable and flexible. They should not be penalised.

Disagree – This is abhorrent and again suggests that not working is a lifestyle choice so the unemployed should be further penalised.

### **Risks**

Based on the evidence the Task and Finish group are not recommending to include this proposal in the scheme and therefore have not assessed the risks.

### **Equalities and proportionality**

Reviewing the cases on the database that would be affected by this measure has shown that the majority are in receipt of some form of long-term disability related benefit or a maternity related income that would disproportionately impact on women. As these cases would be unable to immediately move into work these cases would need to be excluded from this proposal.

When looking at the proposal in isolation for Council Tax it is fine, for people who are also in receipt of Housing Benefit for every additional £1.00 over the Department of Work and Pensions needs level £1.30 would be taken into account (65 pence for Housing Benefit/Rent and 65 pence for Council Tax) this is unfair.

### **External Evidence**

6% or 20 Local Authorities have increased the taper. Increasing the taper will weaken the incentive for some families to have one person in work rather than none, but may strengthen the incentive for both members of a couple to work rather than just one: if the first earner's earnings put the family on the taper for Council Tax Support, the family will have less CTS to lose if the second partner were to move into work. Increasing the taper weakens the incentive for those who are still entitled to support to increase their income slightly, but strengthens it for those who lose entitlement to CTS entirely and so no longer face withdrawal of CTS if they increase their incomes further<sup>9</sup>.

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<sup>9</sup> S Adams and J Browne, *Reforming Council Tax Benefit - IFS Commentary C123*, Chapter 2, page 9 The Institute of Fiscal Studies (May 2012)

## **Savings**

£138,000 could be saved if this measure was introduced in its entirety so all non-working households included, however this includes those who are not able to work, so either in receipt of long-term disability related benefits or in receipt of maternity benefits. Unfortunately we are unable to project a savings figure excluding these households.

## **Recommendation**

Task and Finish group recommend SSDC does not pursue this proposal based on the disproportionate need of administration to positive outcome.

## **Statements**

Within the consultation for completeness in terms of being fair the following statements were included:

Statement 1 – I would pay more Council Tax to help pay for Council Tax Support.

Statement 2 – The level and range of local services should be reduced to help pay for Council Tax Support.

## **Consultation analysis and Example Comments**

46% of respondents agreed with statement 1 - I would pay more Council Tax to help pay for Council Tax Support.

Agree – A rise of £7.39 per year is hardly noticeable for one family, but clearly raises a lot of money per year which is well needed.

Agree – I am currently working and able to pay my council tax. I would consider paying a small extra amount to support the less fortunate.

Disagree – I can hardly afford what I pay now.

Disagree – Why should I pay towards others council tax?

Having reviewed the consultation in detail members felt the figure of 46% agreeing or strongly agreeing with paying more Council Tax was not a true representation of the SSDC population, given the high percentage of people (37.72 %) who completed the surveys who were in receipt of Council Tax Support.

39% of respondents agreed with statement 2 - The level and range of local services should be reduced to help pay for Council Tax Support.

Agree – If people want leisure facilities, then all should be paid for by the user not the authority.

Agree – Yes get rid of it! It is a luxury not a necessity.

Agree – Less painful than hitting the poorest in the community.

Disagree – Don't cut back on the goodness in our society. It is these leisure activities that give some hope for our family.

Disagree – Where I live there are few council run leisure facilities as it is. I would not want to see them reduced further.

Disagree – Service cuts are very short-sighted means of saving money, they just create more problems in the long run, can leave areas looking derelict and unkempt which in turn encourages crime and antisocial behavior.

When reviewing the comments accompanying the answers for statement 2 there is a clear divide between those who use the services wanting to protect them and those that don't, wanting to reduce services.

From reviewing the comments related to the statements the group identified:

- Several that suggested the Council should do more to achieve savings from elsewhere. The Task and Finish group propose SSDC review how we publicise the savings that have already been achieved and the efforts that are continually going into reducing service costs/overheads.
- Customers do not understand the roles and functions of different councils and just see all councils as 'The Council' perhaps more could be done to improve understanding and enhance the reputation of SSDC?

### **Risks**

Based on the evidence the Task and Finish group are not recommending to include this proposals in the scheme and therefore have not assessed the risks.

### **Equalities and proportionality – Increase Council Tax**

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.

### **Equalities and proportionality – Cut the level of services**

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.

### **Summary of Task and Finish Group's Recommendations**

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 A - To reduce the capital limit from £16,000 to £6,000
- Proposal C - Introduce a Council Tax Band cap at band C (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)

Task and Finish group recommend not pursuing proposals:

- B - Introduce a self-employed minimum income (35 hours or less depending on personal circumstances x minimum wage). The group suggests SSDC invest time signposting people who are self-employed to appropriate free sources of business advice; to try to improve profitability and as a consequence reduce the need for Council Tax Support.
- Proposal D - Increase the income taper for those out of work to 65% due to the disproportionate need of administration to positive outcome.
- 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.

If changes to the scheme are agreed, letters must be sent to all Council Tax Support recipients' that will be affected as soon as possible. To give them time to prepare for managing the increase in their Council Tax Bill.

### **Cumulative Impact**

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.

### **Future monitoring**

The Task and Finish group request monitoring of:

- Discretionary Hardship rewards continue
- Arrears for cases where Council Tax Support is being given, this is to best manage the scheme and have an effective and efficient approach to collection and recovery
- Costs of collecting Council Tax - It is important to ensure the balance is correct, whilst we must ensure we 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
- Other authorities schemes and National Best Practice to consider if the South Somerset scheme could be improved upon
- Universal credit to consider how the scheme can effectively integrate with it.

The group have also requested that the Revenues officers consider:

- Reviewing the recovery process to establish how best to issue applications to the hardship fund to prevent recovery action being taken and additional charges being added to a Council Tax Account where the household would be considered financially vulnerable

- A report by the Children's Society – The Debt Trap, The Wolf at the Door this report makes recommendations with regard to recovering Council Tax debt from families with children
- Requesting liability orders for 2014/15 and 2015/16 or at least multiple years to keep court costs to a minimum
- Working with food banks and job clubs across the area to ensure the best advice regarding benefits, managing debt and seeking work is signposted and to re-iterate if there are problems paying Council Tax to seek help and advice early to prevent incurring any recovery related costs

The Task and Finish group propose SSDC review how it publicises:

- The savings that have already been achieved and the efforts that are continually going into reducing service costs/overheads.
- The role of SSDC with a view to improve understanding and enhance our reputation – Consultation responses have shown customers do not understand the roles and functions of different councils and just see all councils as 'The Council'.

### **Future Risks**

Changes to Tax Credits poses a risk in terms of cost of the scheme, at present there are plenty of households across South Somerset who receive Tax credits but do not claim Council Tax Support; if Tax Credits are reduced the number of people claiming Council Tax Support may increase. More detail on this subject will be provided in the Autumn Statement.

A big unknown is how Council Tax Support will integrate with Universal Credit a standard national benefit; to date there is no detailed guidance. With the variation of Council Tax Support schemes across the country there is likely to be some complex integration issues and challenge the original principles of improving work incentives, reducing complexity and reducing administrative costs.

### **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 with regard to modifying the scheme would probably be the last in terms of being able to make savings. The detailed analysis of impact has shown there is nothing else that can 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

Some authorities that imposed severe measures earlier on have now revised their schemes, as they felt the schemes had a direct impact on the deterioration in their Council Tax Collection. The Task and Finish group assume this may have also caused some financial vulnerability but there has been nothing documented with regard to this.

## Appendix A

### Task and Finish group response to County-wide Officer Group Proposals

Option ( brief description)	Reasons for including in scheme	Reasons for excluding from scheme	Other Comments
Placing a cap on the council tax band used to determine maximum support available	Members preferred to cap at Band C.  (There are 75,500 properties in South Somerset. Of these 65% are in Bands A, B and C)		
Limit on the number of dependants for which an allowance is made in the needs assessment			Members were not ideologically opposed to this idea, but felt at this stage there was insufficient evidence to say it should be included as preferred option
Include all Child Benefit payments as income			Members would prefer to wait and see the national policy direction and then ensure our scheme was subsequently in line. At this stage they were not opposed to its potential inclusion.
Disregard child benefit for 1 <sup>st</sup> child only			Again, not ideologically opposed but wait and see national policy direction.
Disregard child benefit for 1 <sup>st</sup> two children only			As above.

Option ( brief description)	Reasons for including in scheme	Reasons for excluding from scheme	Other Comments
Include disability living allowance and personal independence allowance as income		Members would not wish to see this included in preferred option. There were concerns over equality issues and in particular the need to maintain a separation between 'needs' and 'means' testing.	
Reduce capital and savings limit from £16,000 to £6,000 for people not in receipt of Job-seekers Allowance (Income Based), Employment Support Allowance Income Related, Income Support or a defined level of Universal Credit.	Members wished to see this included in the preferred options as it was seen as a good incentive to work.		
Introduce a minimum income floor for the self-employed  (35 hours x minimum wage)	Members wished to include this as it the assessment method for Universal Credit and therefore allows for consistency.		
Increase the income taper for non-earners from 20% to 65%			Members did not have an issue with this concept but felt that more data on who this would affect and how would be needed before committing either way.