

Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: RESOURCES

Date: 5 September 2018

TITLE OF REPORT: COUNCIL TAX SUPPORT SCHEME

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1 PURPOSE

- 1.1 To propose the continuation of the 2018/19 Council Tax Support (CTS) scheme for 2019/20.

2 RECOMMENDATIONS

- 2.1 That Council be recommended to approve the 2019/20 CTS Scheme proposed within this report.

3 BACKGROUND

- 3.1 The Government made provision within the Local Government Finance Act 2012 to replace the national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for CTS devised by individual local authorities (LAs).
- 3.2 A local CTS scheme cannot be revised for at least one financial year. A Billing Authority (SBC) must consider whether to revise or replace its scheme with another on an annual basis.
- 3.4 Any revision to a scheme must be made by the Council by the 11 March, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally consideration should be given to providing transitional protection where the support is to be reduced or removed.
- 3.5 The Council must, in the following order, consult with major precepting authorities (i.e. Hertfordshire County Council and Police and Crime Commissioner for Hertfordshire), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme.

- 3.6 Each year a report is usually brought to members to determine whether any changes should be made to the current scheme as outlined above and if so to start consultation during the summer.
- 3.7 The Local Council Tax support scheme is for working age claimants only. The scheme for elderly residents is still prescribed by central government.

3.8 Current CTS scheme

- 3.8.1 The current **working age** scheme is assessed on 91.5% of maximum liability. It is fully means tested and there is no tolerance for changes in income before impacting on entitlement. Members have previously agreed no additional protection for individual groups, other than that required in law (pensionable aged claimants), and that built into the original Council Tax Benefit scheme. All working age customers have to pay at least 8.5% of their liability. This is demonstrated below.

Table 1: Annual value of 8.5% of liability by band

8.5% per year	2013/14/ 2014/15	2015/16	2016/17	2017/18	2018/19
Band A	£82.46	£83.72	£86.54	£90.46	£ 95.71
Band B	£96.20	£97.67	£100.96	£105.54	£ 111.66
Band C	£109.95	£111.63	£115.38	£120.61	£ 127.61
Band D	£123.69	£125.58	£129.81	£135.69	£ 143.56
Band E	£151.18	£153.49	£158.65	£165.84	£ 175.46
Band F	£178.66	£181.40	£187.50	£196.00	£ 207.36
Band G	£206.15	£209.30	£216.34	£226.15	£ 239.26
Band H	£247.38	£251.16	£259.61	£271.38	£ 287.12

Table 2 : Weekly value of 8.5% of liability by band

8.5% per week	2013/14/ 2014/15	2015/16	2016/17	2017/18	2018/19
Band A	1.59	1.61	1.66	1.74	1.84
Band B	1.85	1.88	1.94	2.03	2.14
Band C	2.11	2.15	2.22	2.32	2.45
Band D	2.38	2.42	2.5	2.61	2.75
Band E	2.91	2.95	3.05	3.19	3.36
Band F	3.44	3.49	3.61	3.77	3.98
Band G	3.96	4.03	4.16	4.35	4.59
Band H	4.76	4.83	4.99	5.22	5.51

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Reviews

- 4.1.1 In 2016/17 both the Overview and Scrutiny committee and the Executive considered a number of possible changes to the Council Tax Support scheme (CTS) and concluded that these would make the scheme more complex for claimants, introduce additional administration and therefore increase the risk of non-payment.
- 4.1.2 On 8 March 2018 Overview and Scrutiny committee received a presentation on a potential new scheme for 2019/20 based on claimants income bands. The new style of scheme would aim to simplify the criteria for customers as well as mitigating the impact of changes in circumstances on workload and council tax collection, resulting from universal credit reassessments.
- 4.1.3 Customers whose income remained within the band for their circumstances would not have their CTS reassessed for a small change in circumstances. Entitlement for other income levels would be clear and accordingly this would provide increased clarity and stability for those whose income changes regularly or as a result of the monthly reassessment of universal credit entitlement.
- 4.1.4 Members were advised that substantial modelling would need to be carried out to avoid any unintended consequences, as well as enabling full consultation with tax payers and major preceptors. The current software modelling tool is unable to model certain family groups which prevents evaluation of the impact of the proposed scheme on the existing scheme. A new module is due for release in the autumn and it is proposed to recommence modelling again at that time, for consideration for a scheme from 2020.
- 4.1.5 The chair of Overview and Scrutiny committee has confirmed that in the absence of a revised scheme they are recommend the report is considered by the Executive as the current scheme is continuing for 2019/20 to allow further modelling to continue on any revisions.
- 4.1.6 The following report details each of the areas that are relevant to a consideration of changes to the CTS, and intends to demonstrate that a recommendation to keep the scheme the same for 2019/20 should be made.

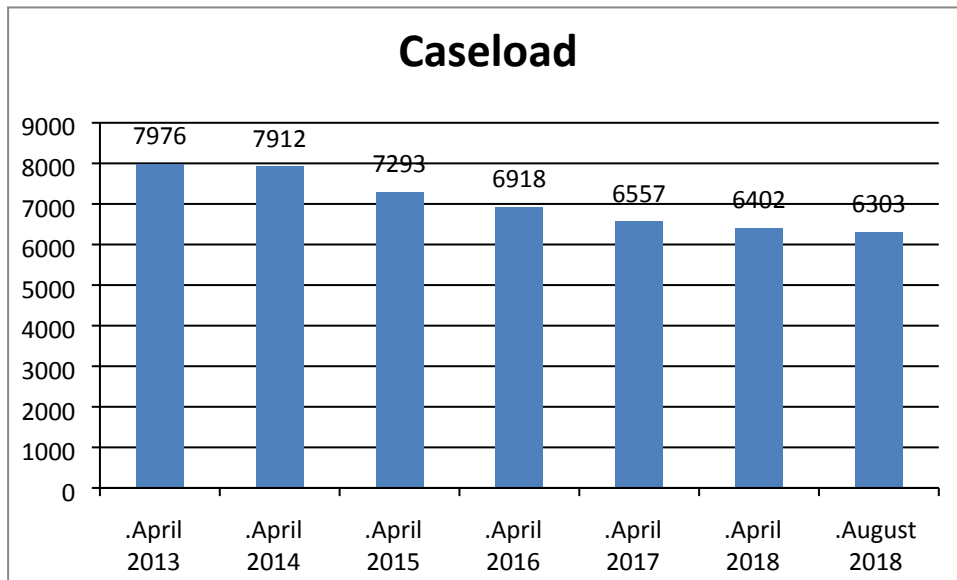
4.2. Tax base

- 4.2.1 The tax base is an estimate of the number of properties on which a council tax charge can be levied in the financial year. A major component of the taxbase is the cost of the council tax support scheme, which reduces the collectable income in the same way as the other discounts and exemptions.

For 2018/19 this is £6.25m. This equates to a reduction of 12% of the band D equivalent properties on which tax can be levied.

- 4.2.2 The taxbase for 18/19 has been set assuming the spend on CTS to be the equivalent of 3704.67 band D properties. At 1st August 2018 the actual spend is 88 band D equivalents lower than assumed in the taxbase. This is attributed to reducing caseloads.

Table 3: Reducing caseloads



- 4.2.3 In setting the taxbase it was assumed that the previous reductions in caseload had reached a plateau, but it has continued albeit more slowly.

4.3 Arrears.

- 4.3.1 The taxbase collection rate recognises that not all of the estimated total liability will be collectable.
- 4.3.2 The table below demonstrates the arrears position at 31 March 2018 and movement in outstanding arrears since 31 March 2017. Splitting out those arrears attributable to periods of a Council Tax support claim is not possible as arrears accrue for various reasons in any liable year.

Table 4: Council Tax arrears at 31.3.2018

SBC	31.3.2018	31.3.2017	Prior year change
Pre 2003	£ 2,597	£ 3,686	-£ 1,089
2003-2007	£ 104,791	£ 130,875	-£ 26,084
2008-2012	£ 541,252	£ 699,578	-£ 158,326
2013-2016	£ 1,667,213	£ 3,007,362	-£ 1,340,149
Pre 1.4.2017	£ 2,315,853	£ 3,841,501	-£ 1,525,649
2017/18	£ 1,380,437		
at 31.3.2017	£ 3,696,290	£ 3,841,501	-£ 145,212

4.3.3 In 2017/18 the overall in-year collection rate for Working Age customers in receipt of CTS at 31.3.18 was 75.4%. The collection rate for those working age customers who only had to pay 8.5% of their liability was 71.27%, compared to the overall in-year collection rate for all tax payers which was 96.4%.

4.3.4 Based on the level of estimated arrears as a result of CTS the tax base only assumes that 70% of the in-year liability of working age CTS customers will be paid, compared to 98% of other council tax.

4.3.5 This means that whilst recovery is being achieved on these outstanding balances, there is an increasing level of arrears to be collected from customers who have at some time received CTS.

4.3.6 When the taxbase report is provided to members for 2019/20, Officers will review the deduction of 30% for non-payment of CTS.

4.4 Wider welfare reforms

4.4.1 The impact of these reforms is likely to reduce the income of residents affected by them and accordingly put increased pressure on their ability to pay any Council Tax liability. This will lead to increased costs of recovery for both the resident and the Council.

4.4.2 Customers transitioning to universal credit do not automatically claim Council tax support and arrears can accumulate quickly.

4.5 The estimated and actual spend on CTS.

4.5.1 The table below demonstrated the cost of the CTS scheme since 2013.

Table 5 Estimate and Actual spend on CTS

Year	Estimated cost of CTS scheme	Actual cost of CTS scheme	Value of variance	SBC share	SBC Collection fund surplus share
2013/14	£7,002,424	£6,605,773	£396,650	£51,406	£111,748
2014/15	£6,892,704	£6,137,922	£754,782	£97,819	£176,710
2015/16	£6,700,958	£5,755,876	£945,082	£120,592	£203,468
2016/17	£6,236,794	£5,683,162	£553,632	£70,157	£179,403
2017/18	£6,169,174	£5,828,125	£341,049	£42,290	£101,939
2018/19	£6,256,891				

4.5.2 The 2018/19 scheme is estimated to cost £6.256 million, which is an increase of 7% over the actual costs for 2017/18, but reflects an increase of 5.8% in the base Council Tax costs between 2017/18 and 2018/19.

4.5.3 The amount of CTS discount awarded could increase if there was an increase in the proportion of Elderly customers. The scheme for Elderly claimants (of state pension age) is still controlled by central government through prescribed regulations. The movement in caseload is closely monitored and since 2013 the proportion of elderly claimants has diminished from 40.61% to 31.63% in April 2018.

4.6 Other factors to consider;

4.6.1 The current CTS complies with the Government's key principles of protecting Pensioner claimants from changes, supporting work incentives, and is drafted with regard to appropriate consideration to vulnerable groups. The manner in which this is achieved in relation to the DCLG policy Statement of Intent is set out below.

4.6.2 **Armed Forces Covenant** – The Covenant sets out the relationship between the Nation, the State and the Armed Forces and recognises that the whole nation has a moral obligation to members of the Armed Forces and their families, and it establishes how they should expect to be treated. It exists to redress the disadvantages that the Armed Forces community faces in comparison to other citizens, and to recognise sacrifices made. In some cases this will require special consideration, especially for those who have given the most such as the injured and the bereaved.

In consideration of the above the recommended scheme reaffirms that in addition to war widow's, war widower's and war disablement pensions, guaranteed income payments (including survivor's guaranteed income payments under the Armed Forces Compensation Scheme) be disregarded in full for working age claimants thus ensuring that receipt of these incomes does not impact upon their Council Tax Support entitlement.

It is also important to note that under Government regulations for pensionable age claimants, which will apply to all LAs, only £10 per week can be disregarded from the receipt of the above pensions. SBC currently exercises its discretion within the current legislation whereby these pensions are disregarded in full, and there is no proposal to change this.

- 4.7.3 **Child Poverty Act 2010** - The principles enshrined within the recommended CTS Scheme should support the objectives of reducing and mitigating the effects of child poverty through the following means:
- a) Child Benefit be completely disregarded as a claimant's income thus ensuring that their entitlement to CTS is unaffected by the receipt of this income.
 - b) Premiums and allowances shall be used to determine a claimant's basic living needs, with amounts being determined for each child and young person resident in the claimant's household.
 - c) The provision of disregards for child care costs will be applied within the scheme, up to a maximum prescribed level.
- 4.7.4 **Incentivising Work** – There current scheme retains extended payments for the first four weeks after a claimant commences work, where they meet certain prescribed requirements through the recommended scheme.
- 4.7.5 **Equalities Implications** - The Equality Act 2010 S149 sets out the public sector equality duty which requires the Council, when exercising its functions (including those as an employer) to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimization and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
- 4.7.6 If the scheme is amended in anyway an EQIA will be completed to consider the impact on any of the protected characteristics. At the same time, the council must also pay regard to any countervailing factors, which it is proper and reasonable for them to consider. Budgetary pressures faced by the Council form part of the analysis shown in the equality impact assessment.
- 4.7.7 Councils have introduced differing schemes across the County depending on the demographic of the CTS claimants, the financial position of the council and its political views. This is shown in the table below. Most Councils are currently exploring changes that would impact from 2020.

Table 6: What other councils are doing – (*these are subject to change*)

Local authority	Scheme
Watford	Default national scheme ie <ul style="list-style-type: none"> <input type="checkbox"/> No band capping • Maximum benefit is 100% of liability • Second adult rebate retained
St Albans	Default national scheme i.e <ul style="list-style-type: none"> • Maximum benefit is 100% of liability
Welwyn/Hatfield	<ul style="list-style-type: none"> • Maximum benefit is 75% of liability • 100% to protected groups <ul style="list-style-type: none"> <input type="checkbox"/> Disability premium <input type="checkbox"/> Enhanced disability premium <input type="checkbox"/> Severe disability premium <input type="checkbox"/> Disabled child premium <input type="checkbox"/> Child under 5 <input type="checkbox"/> ESA support group <input type="checkbox"/> DLA/PIP <input type="checkbox"/> War widow/ers <p>Removal of Second Adult Rebate for working Age</p> <p>Removal of Family Premium</p> <p>Backdating limited to 1 Month</p>
North Herts	<ul style="list-style-type: none"> • Maximum benefit is 75% of liability • 100% to protected groups <ul style="list-style-type: none"> <input type="checkbox"/> Disability premium <input type="checkbox"/> Enhanced disability premium <input type="checkbox"/> ESA support component <input type="checkbox"/> Disabled child premium <input type="checkbox"/> Earnings disregard increased to £7.50 (single); £15 (couple); £30 (disabled/carer/auxiliary occupation); £37.50 (lone parent)
Dacorum	<ul style="list-style-type: none"> • Restriction of liability to Band D • Protected groups <ul style="list-style-type: none"> <input type="checkbox"/> Disabled child premium <input type="checkbox"/> Disability premium or underlying DP for those with

Local authority	Scheme
	<p>limited capability for work</p> <ul style="list-style-type: none"> <input type="checkbox"/> ESA work related activity group <input type="checkbox"/> ESA support group <input type="checkbox"/> Child under 5 <input type="checkbox"/> War widow/ers or war disablement pension <ul style="list-style-type: none"> • Maximum benefit is 75% of liability <ul style="list-style-type: none"> <input type="checkbox"/> 100% to protected groups as above • Non dependant deductions modified • Second adult rebate - those over pension credit age only • Backdating - 3 months for pensioners and 1 month for everyone else
Three Rivers	<ul style="list-style-type: none"> • Restriction of liability to Band D • Capital limit reduced to £8,000 • Non dependant deductions increased • Second adult rebate – those over pension credit age only
Hertsmere	<ul style="list-style-type: none"> • Restriction of liability to Band D* • Protected groups <ul style="list-style-type: none"> <input type="checkbox"/> Claimant, partner or child gets DLA, AA or PIP <input type="checkbox"/> ESA support group <input type="checkbox"/> Lone parent with child under 5 <p>May align scheme to HB rules from 2018/19</p> <ul style="list-style-type: none"> • Maximum benefit is 80% of liability* <ul style="list-style-type: none"> <input type="checkbox"/> 100% of liability to protected groups as above • Non dependant deductions modified <ul style="list-style-type: none"> <input type="checkbox"/> Protection from non dependant charges to groups as above <p>*ie liability is actually restricted to 80% of Band D or 80% of actual liability (whichever is lower) except for protected groups</p>
Stevenage	<ul style="list-style-type: none"> • Maximum benefit is 91.5% of liability

Local authority	Scheme
East Herts	<ul style="list-style-type: none"> • Maximum benefit is 91.5% of liability
Broxbourne	<ul style="list-style-type: none"> • Restriction of liability to Band E • Protected groups – claimant, partner, child <ul style="list-style-type: none"> <input type="checkbox"/> Disability premium <input type="checkbox"/> Enhanced disability premium <input type="checkbox"/> Severe disability premium <input type="checkbox"/> DLA/PIP <input type="checkbox"/> ESA support component <input type="checkbox"/> Incapacity benefit long term rate <input type="checkbox"/> War disablement pension <input type="checkbox"/> War widow/ers • Maximum benefit is 80% liability • 100% of liability to protected groups as above • Income taper increased from 20-25% • Protected groups as above • Non dependant deductions modified • Earnings disregard increased to £10.00 (single); £15 (couple); £25 (disabled/carer/auxiliary occupation); £30.00 (lone parent) • Back to work 'run on ' increased from 4-6 weeks • Backdating replaced by automatic 3 month start date prior to claim if satisfies rules in that period.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 As detailed in the report.

5.2 Legal Implications

5.2.1 As detailed in the report

5.3 Equalities and Diversity Implications

5.3.1 An Equality Impact Assessment will be undertaken if there are proposals to amend the Council Tax support scheme.

5.4 Risk Implications

5.4.1 As detailed in the report

5.5 Policy Implications

5.5.1 As detailed in the report

BACKGROUND PAPERS

None.

APPENDICES

Appendix A – Glossary.

Appendix B – Previously considered scheme changes.