

Meeting:	General overview and scrutiny committee
Meeting date:	30 September 2015
Title of report:	Revisions to the council tax reduction scheme
Report by:	Director of resources

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide

Purpose

To seek the views of the General overview and scrutiny committee regarding the proposed revisions to the current council tax reduction (CTR) scheme ahead of Cabinet review in October and Council approval in December.

Recommendation

THAT:

- a) the committee provide comments on the proposals contained in this report.

Alternative options

To reject the proposed changes to the current CTR scheme; this is possible but would require alternative compensatory savings to be identified.

Reasons for recommendations

To consider the proposed reductions to the level of subsidy provided through the CTR scheme to secure the delivery of the required savings as approved in the medium term financial strategy (MTFS).

Key considerations

Background

- 1 The national council tax benefit system was abolished with effect from 1 April 2013. It was replaced with a localised council tax reduction (CTR) system. The Council received a 10% reduction in its previous central government funding towards CTR. This funding is contained within the revenue support grant which has been reducing every year and it expected to continue to reduce in 2016/17.
- 2 National CTR support continues to protect pensioner discounts. The Council has discretion on CTR for working age claimants only. In 2013/14, following one-off funding support from Government, working age claimants Herefordshire's CTR subsidy was capped at 91.5%.
- 3 The CTR scheme for 2014/15 reduced working age claimants CTR subsidy to 84% of the applicant's council tax charge. This meant that at least 16% of the council tax bill due was payable by the CTR claimant. In addition subsidy was restricted to a band D property which meant that any working age CTR claimant who lived in a property banded above band D had their CTR subsidy based on 84% of a band D equivalent property.
- 4 The CTR scheme for 2015/16 remained the same as 2014/15, with the council giving £4.6m in council tax subsidy to working age claimants.
- 5 A public consultation on the proposed changes for 2016/17 has taken place, the results are summarised in the consultees section of this report and detailed in appendix 3. No amendments have been made to the proposals following consultation. The consultation responses and the views of the General overview and scrutiny committee will be considered by Cabinet on 15 October. Council approval on 18 December is required for any Cabinet recommended changes to the current scheme.
- 6 This report proposes the CTR scheme for 2016/17, year four of the local scheme. The MTFS approved by Council in February 2015 included savings of £150k from CTR for 2016/17. Current saving proposals have increased the saving requirement to £200k. The options for achieving this saving target are detailed in this report. The proposed changes would become effective from 1 April 2016.

Profile of CTR working age claimants

- 7 Working age claimants of CTR include single parents, single people and couples who could be unemployed, have limited capability for work on the grounds of ill health including disability, or are working but on a low income. The current CTR caseload profile is:

- Pensioners fully or partially unaffected by the CTR scheme 6,594
- Working age claimants* 6,738
- **Total CTR caseload 13,332**

**4,500 (approximately) working age claimants are in receipt of CTR at 84%, and therefore, have to pay 16% of their council tax liability. These claimants have an income which is at a level that entitles them to the maximum subsidy. The remaining claimants qualify for partial subsidy.*

8 The collection rates for council tax for the last three years are shown below:

- a) 2012/13 – 98.63% (prior to scheme)
- b) 2013/14 – 98.40% (based on CTR support 91.5%)
- c) 2014/15 – 98.10% (based on CTR support 84%)

In 2014/15 a collection rate of 82.5% was achieved for claimants in receipt of CTR.

9 The council tax liability for working age claimants is £6.5m, of which £4.6m of CTR subsidy was awarded in 2014/15. This left a total council tax charge of £1.9m.

10 A total of 8,672 summonses were issued in 2014/15. A sample of 500 shows that 38% (190) have been issued to tax payers who are in receipt of CTR. Assuming the sample is representative of the total then of the total 8,672 summons issued, 3,300 were issued to people who receive CTR, 49% of working age claimants receiving a summons. This would also suggest that for council tax payers not in receipt of CTR approximately 7% receive a summons. Following the issuing of a summons the usual debt collection process is followed which includes debt collection via deductions from benefits and/or earnings or the referral to debt recovery enforcement agencies.

11 The cost of chasing debt, staff, postage and the cost of summonses (£85) are added to the claimants' debt. In advance of this assistance is provided to those who fall behind in making payments by signposting to agencies, online personal budget planning tool and repayment options. A breakdown of the circumstances of the 190 sample CTR cases receiving a summons are detailed in the table below:

Circumstances	Sample Number	%
In receipt of Employment & Support Allowance*	100	53
In receipt of Income Support – with no other details known	32	17
In receipt of Jobseekers Allowance	25	13
Families with children (lone parents or couples) with low earnings and receiving tax credits	21	11
Single claimants working, with low earnings	8	4
Others	4	2
Total	190	100%

**Employment & Support Allowance (ESA) replaced Incapacity Benefit and is for claimants who, through illness or disability, are unable to play a full part in the labour market which prevents them from claiming Jobseekers Allowance. 39% of our working age caseload is made up of claimants in receipt of ESA, based on the sample 66% of these claimants are at risk of receiving a summons.*

Proposed CTR for 2016/17

Proposal 1 - reducing the level of CTR from 84% to 80% but also increase restrictions to CTR and protect CTR at 84% for certain claimants.

- 12 Overall this proposal is expected to deliver a net saving of approximately £240k pa, £199k relating to Herefordshire Council.
- 13 This proposal would see CTR reduced to 80%. There would be increased restrictions to CTR depending on the claimants property banding and savings. In addition certain claimants would continue to receive CTR of 84%. This is expected to deliver a net saving of approximately £144k pa. CTR would be protected at 84% where the claimant is either in receipt of severe disability premium, carers allowance or families with a child under the age of five.
- 14 **Band C restriction.** Proposal 1 would amend CTR from a band D restriction to a band C property restriction. Under this proposal any claimant who lives in a property above a band C would have their CTR capped at on 80% of a band C equivalent property in their parish. This proposal would generate a net saving of approximately £48k pa. This would impact 8.2% of working age claimants who reside in a property band D and above.
- 15 The table below details the percentage of working age CTR claimants by property band:-

Property band	Working Age claimants in receipt of CTR	%
Band A	2,683	40%
Band B	2,486	37%
Band C	1,017	15%
Band D	327	5%
Band E	155	2%
Band F	57	1%
Band G	13	0
Band H	0	0
Total	6,738	100%

- 16 The 327 band D claimants, if entitled to the maximum CTR discount, would see their council tax charge increase by £204 pa from the current £254 pa in 2015/16 to £458 pa. Appendix 1 - provides a table to show an estimate of the CTR claimants would have to pay under the 20% liability proposed and applying a band C restriction.

- 17 Property band restrictions applied nationally, across unitary authorities and across neighbouring authorities including Worcestershire and Gloucestershire are shown in the table below.

Property band restrictions	Neighbouring authorities	Unitary authorities	All authorities
Total LAs	12	56	326
Number - Restricted	3	15	75
% LAs using restriction	25%	27%	23%
Breakdown of band restricted			
Band A	0	1	5
Band B	0	2	4
Band C	0	2	6
Band D	2	8	52
Band E	1	2	8

- 18 **Reduce the capital limit to £6k.** Currently the CTR capital limit is £16k. Proposal 1 recommends reducing this to £6k. This would mean that claimants with capital above the limit would not receive CTR regardless of any other circumstances. Capital is defined as savings or property the claimant owns but does not include the property they live in or any personal possessions.
- 19 Reducing this limit to £6k would mean that approximately 110 claimants currently receiving CTR would cease to receive CTR. This would provide net savings of £48k pa. 110 claimants currently receiving CTR for 2015/16 will become liable for full council tax charge in 2016/17.
- 20 The take up of reducing the capital limit applied nationally, across unitary authorities and across neighbouring authorities including Worcestershire and Gloucestershire is shown below:-

Capital limit restriction	Neighbouring authorities	Unitary authorities	All authorities
Total LAs	12	56	326
Number reduced £16k capital limit	3	20	72
% LAs using this reduction	25%	36%	22%
Breakdown of restriction			
Limit £12k	0	0	1
Limit £10k	0	5	12
Limit £9k	0	0	1
Limit £8k	0	1	9
Limit £6k	3	14	49
Total	3	20	72

Proposal 2 - reducing the level of CTR from 84% to 80% with no other scheme changes.

- 21 This proposal is expected to deliver a net saving of approximately £240k pa, £199k relating to Herefordshire Council.
- 22 National statistics released for 2015/16 CTR schemes shown in the table below demonstrates the level of discount being applied nationally, across unitary authorities and across neighbouring authorities including Worcestershire and Gloucestershire:

Minimum CTR subsidy	Neighbouring authorities	All Unitary authorities	All councils
70%	0	3	9
Between 70% and 80%	0	16	44
80%	3	19	76
Between 80% and 91.5%	1	7	66
91.50%	1	2	46
Between 91.5% and 100%	0	0	9
100%	7	9	76
Total	12	56	326

Community impact

- 23 The corporate plan, agreed by Council in November 2012, has two broad priorities; supporting the development of a successful economy and improving quality of life for the people of Herefordshire. The council remains committed to ensuring public services are prioritised to meet the needs of the most vulnerable. However, the proposals in this report will have an impact on some residents, but there continues to be regard to support the elderly and vulnerable, with access to support such as council tax discretionary reduction funding.
- 24 The lowest earners in Herefordshire, approximately 4,500 individuals, currently pay 16% of their total Council Tax bill. This report supports a reduction in the discount awarded for some council tax payers in receipt of welfare benefits. Pensioners will continue to receive additional discounts and the vulnerable will continue to have access to welfare support to mitigate these changes.
- 25 The decisions in this report links to key elements of the Council's corporate plan and demonstrate the effective management of resources to help secure a balanced budget. The proposed changes could result in increasing individuals financial difficulties, this is being mitigated by providing options and support as detailed in this report.

Equality duty

- 26 A full Equality Impact Assessment (EIA) was carried out on the initial and subsequent revisions to the scheme and has been reviewed in the light of the revised proposals. The latest version is attached at Appendix 2.

- 27 The proposals set out in this report will have an impact on working age benefit claimants. In addition, there is likely to be an increase in the level of non-payment and requests for debt advice.

Hardship Relief

- 28 Financial assistance is available under Herefordshire's discretionary hardship policy. Assistance is subject to the meeting the following criteria:

- The taxpayer is facing exceptional and temporary hardship and they do not have access to other funds or assets that could be used to meet their council tax liability.
- Any reduction made in accordance with this policy short term assistance.
- The applicant's eligibility to council tax reduction and all other statutory reductions has been determined.
- There are unusual and unforeseen circumstances which prevent the property from being occupied and this situation cannot be rectified within a reasonable period of time, for example because of flooding.
- The applicant has taken reasonable steps to resolve their situation prior to making their application.
- The applicant can demonstrate that their current circumstances are unlikely to improve in the following six months.

- 29 In 2014/15 there were two successful applications to the hardship scheme from applicants in receipt of CTR, providing relief of £578. The current policy is under review and will be updated before 1 April 2016. The scheme will continue to support vulnerable people in line with the Council's corporate plan.

- 30 A meeting with representatives from the Children's Society discussed the effects of enforcement on the family unit, especially those with children. It was agreed that Herefordshire would consider the issues raised both in the review of the recovery policy and in future decisions relating to the CTR scheme including the review of the discretionary hardship policy to include consideration for persons with disability, families with children and children leaving care.

- 31 National statistics released for 2015/16 CTR schemes in the table below demonstrates the number of hardship schemes currently in place nationally, across unitary authorities and across neighbouring authorities including Worcestershire and Gloucestershire.

Hardship Schemes	National	Unitary	Local
Total LAs	326	56	12
Number with hardship schemes	123	28	4
%	38%	50%	33%

- 32 In recognition of this the review of the Discretionary Hardship Policy is likely to assist more taxpayers which has been reflected in the approximate net savings from the proposed CTR changes.

Financial implications

- 33 Approving the proposed changes, either proposal 1 or proposal 2, will secure the delivery of the MTFS savings target of £200k in 2016/17. The proposed changes, if adopted, are not considered to result in a significant change to current workloads.
- 34 The table below shows the potential net savings from the CTR changes proposed. The net savings includes assumptions from the implementation of a revised hardship scheme and claimants changes expected from the summer budget Welfare Reforms.
- 35 Savings will also benefit preceptors; parish and town councils, West Mercia Police and Hereford & Worcester Fire and Rescue Service. Approximately 83% of the council tax bill paid is retained by Herefordshire Council.

Detail	Proposal 1 – CTR 80% with protections and restrictions £000 pa	Proposal 2 – reduction in CTR to 80% with no other changes £000 pa
CTR subsidy reduced to 80%	144	240
CTR capped at property band C	48	-
CTR removed if capital limit £6k or above	48	-
Total net saving per annum	240	240
Herefordshire's share of net saving pa (83%)	199	199
MTFS Savings Target 2016/17	200	200

Legal implications

- 36 The Council Tax Reduction Scheme is locally determined by each billing authority under section 13A and Schedule 1A of the Local Government Finance Act 1992.
- 37 For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme and this must take place no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. If any revision has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- 38 A statutory procedure is provided for under Paragraph 3 of Schedule 1A which a billing authority must follow when revising its scheme:
 "3(1) Before making a scheme, the authority must (in the following order) –
 (a) consult any major precepting authority which has power to issue a precept to it,
 (b) publish a draft scheme in such manner as it thinks fit, and
 (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 39 As well as complying with the statutory consultation scheme the process must also be fair. There are four basic requirements namely -
 (i) be undertaken when proposals are at a formative stage;
 (ii) include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
 (iii) give consultees sufficient time to make a response; and
 (iv) be conscientiously taken into account when the ultimate decision is taken.

Risk management

- 40 Approximately 40% of our current summons relate to CTR claimants. There is a risk that the claimants may not pay their council tax and move further into debt because of summons charges. This may eventually affect the collection statistics and place the households concerned into further financial hardship. This is to be mitigated through revisions to the hardship scheme. 2015/16 has seen a reduction in the number of claimants due to increases in earnings from employment.
- 41 Welfare reform announced in the summer budget will impact the current CTR scheme. Working age applicants in receipt of CTR will be subject to a reduction in working tax credits due to the earnings threshold being reduced. This is expected to increase CTR claimants from 1 April 2016. Estimates suggest that the effect of the changes to the working tax credit calculation will mean approximately £200 additional CTR payments per customer per year. In Herefordshire there are approximately 1,000 working age customers in receipt of working tax credit therefore this could result in additional CTR payments of £200k. This impact has been reflected in the approximate net savings detailed in this report.

Consultees

- 42 Consultation with the citizens of Herefordshire on the proposals for the CTR scheme commenced 6 July 2015 for a period of 6 weeks and concluded on 16 August 2015, which resulted in 68 responses. Prior to our consultation we met with the Children's Society and incorporated their views and recommendations into our proposals. The consultation document was published online on Herefordshire Council's website and included an online calculator to give an instance indicator of how the changes would affect the individual depending on their circumstances. In addition approximately 6,500 letters were issued to the current recipients of CTR who were most likely to be affected. During this period a meeting with welfare rights groups and 3rd sector organisations took place in order to capture the views of their service users. Consultation responses are attached as Appendix 3. A summary of responses is provided below:

	Strongly Agree / Agree	Strongly Disagree / Disagree
Proposal 1		
Financial support reduced to 80% with protections	51%	42%
CTR capped at property band C	45%	47%
Capital limit reduced to £6k	48%	47%
Total %	48%	45%
Proposal 2		
CTR reduced to 80% with no other changes	48%	45%

The results show no preference for either proposal.

Appendices

Appendix 1 Financial impact of 80% CTR and band C restriction

Appendix 2 Equality impact assessment

Appendix 3 CTRS consultation report

Background papers

None identified.