

Central Bedfordshire Council

Corporate Resources Overview and Scrutiny – 29 November 2016

COUNCIL TAX SUPPORT SCHEME

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This report relates to a Key Decision

Purpose of this report

1. The purpose of the report is for the Committee to review and comment on the Council's Local Council Tax Support Scheme for 2017/18.

RECOMMENDATIONS

The Committee is asked to:

1. **Review and comment on the Local Council Tax Support Scheme for 2017/18.**
2. **Make any recommendations to Executive arising from this review.**

Background

2. The Welfare Reform Act 2012 abolished Council Tax Benefit. Under the Local Government Finance Act 2012 local authorities had to design their own Local Council Tax Support scheme (LCTS) for working age customers and administer the national Council Tax Support scheme for pensioners. There were certain limitations on what local authorities could include in their schemes, for example, pensioners were protected.
3. In January 2016 Council approved a Council Tax Support scheme for Central Bedfordshire for the financial year 2016/17. The scheme remained broadly the same as that for 2015/16 and mirrored the previous entitlement under the old Council Tax Benefit system for all claimants except for:

- All working age claimants who do not fall into one of our vulnerable protected groups are required to make a 25% payment of their Council Tax liability.
- The removal of the Second Adult Rebate.
- The rate of Non-dependant deductions increased.

Pensioners have not seen any change to the support they receive.

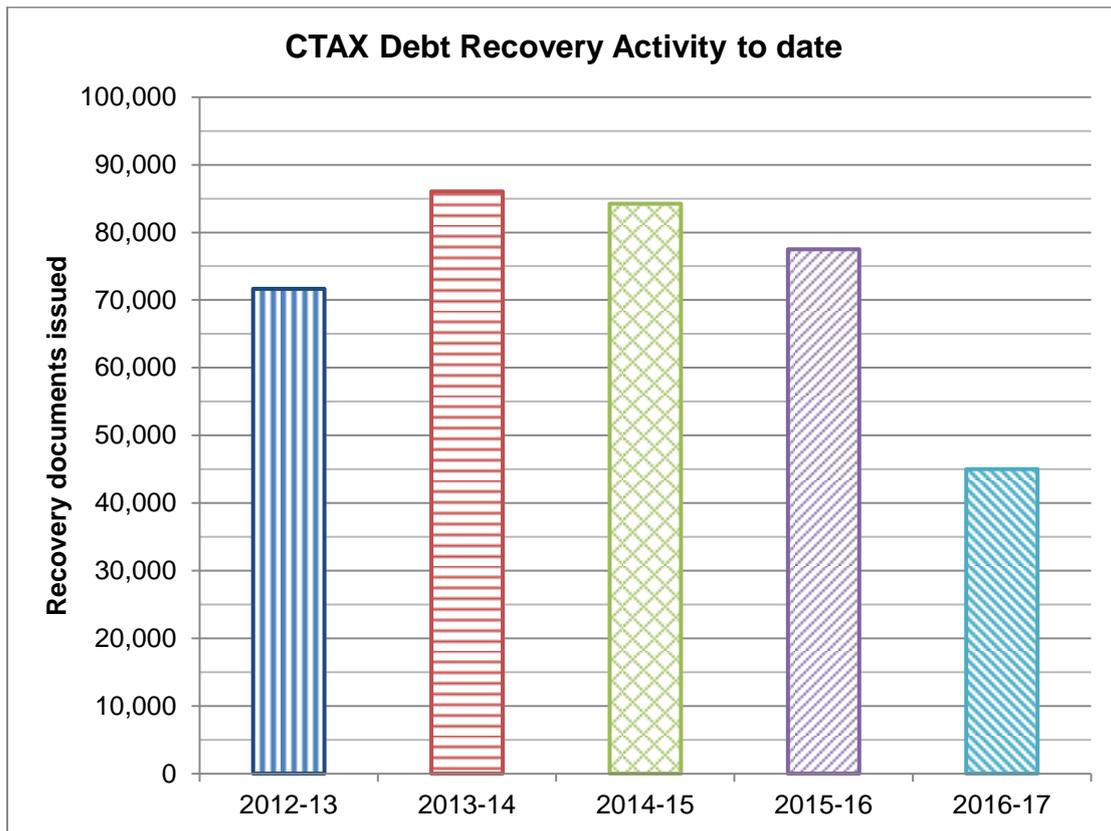
4. The only change to the 2015/16 scheme was an adjustment to bring our levels of entitlement for working age claimants in line with other state benefits; this is commonly referred to as “uprating” or “an inflationary increase”. This meant an increase of about 3% in the premiums and allowances built into our LCTS scheme. The 2016/17 scheme replicated the 2015/16 as most working age benefits, including Housing Benefit applicable amounts, were frozen for 4 years following the then Chancellor’s emergency budget of July 2015.
5. The intention of the Central Bedfordshire Council scheme was to reduce the amount of Council Tax Support discount awarded from that paid under the previous Council Tax Benefit scheme to take into account the reduction in funding from Central Government. The current scheme ensures that every Council Tax payer pays at least 25% of their Council Tax bill unless they are a pensioner or they fall within one of our protected groups of claimants.
6. National trends for 2016/17 Local Council Tax Support schemes are examined in a New Policy Institute report. It includes the following information:
 - a) 66 authorities have changed their scheme for 2016/17.
 - b) Of these 66, 39 have either introduced or increased a minimum payment.
 - c) 259 of 326 have a minimum payment.
 - d) 50 authorities have a minimum payment of 8.5% or less.
 - e) 65 authorities have a minimum payment between 8.5% and 20%.
 - f) 77 authorities have a 20% minimum payment.
 - g) 67 authorities have a minimum payment greater than 20% (of which 11 authorities have a minimum payment over 30% and 1 authority – Kettering Borough - has a minimum payment of 45%).
7. Nationally the introduction and effects of Local Council Tax Support schemes was statutorily reviewed this year by the Government. Some of the recommendations to Central Government which may be of use to the Council if the Government is minded to pass the relevant legislation for 2017 onwards could include:
 - a) allowing multi-year or rolling schemes. Councils being required to review their schemes at Full Council only when changes are being proposed.

- b) The statutory consultation requirements being clarified by Government, so that Councils can take a less risk-averse approach. This should make consultations less burdensome on Councils and more engaging to residents.
 - c) Government should enable Council Tax Support recipients to pay off arrears through a voluntary attachment to benefits agreed with the Council, without the requirement to obtain a Liability Order. Safeguards should be put in place to ensure that individuals have had time, information and capacity to consider the option and make an informed decision.
 - d) Government should confirm that Council Tax Support will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.
 - e) Government should consider localising at least part of the Council Tax Support scheme for pensioners, allowing Councils to decide how much support they wish to provide for all low-income residents.
 - f) Government should consider granting more flexibility over nationally set Council Tax discounts, such as the Single Person Discount.
 - g) Government should take steps to better understand the impact of Council Tax Support on individuals and Councils, widening the data it holds on Council tax Support. This will enable future policy evaluation.
 - h) Government should commission in-depth academic research on the impact of Council tax Support within the wider context of other welfare and socioeconomic changes.
 - i) Government should be transparent about how much funding for Council Tax Support is paid through Revenue Support Grant, and it should be explicit about future funding of Council Tax Support schemes, including any expectations on how Council Tax Support should be locally funded.
8. The current legislation states that Council Tax Support schemes must be reviewed by Members each financial year and approved by full Council no later than the 30 January preceding the start of the new financial year.
9. If there are changes to the current scheme, legislation states that these changes must be consulted upon. Minor changes such as uprating of premiums and applicable amounts are exempt from this consultation process.

Impact of Council Tax Support Scheme on Collection Rates

10. An in-year Council Tax collection rate of 97.8% in year was achieved for 2015/16, which was a 0.05% improvement on 2014/15 levels. Collection rates for the first 6 months of the 2016/17 financial year have been almost identical to the same period in 2015/16.

11. The average collection rates for unitary authorities in 2015/16 was 96.9% and for all councils it was 97.1% in 2015/16. Central Bedfordshire therefore performed better than average on both measures.
12. In 2015/16 a total of 77,493 debt recovery documents were issued which was an 8% reduction on 2014/15 levels. This reduction can be attributed to the freeze on debt recovery activity related to the Police and Crime Commissioner (PCC) referendum in May 2015. 9,810 Magistrates Court summonses were issued in 2015/16, a reduction of 124 on 2014/15 levels. In 2015/16 the Council's Revenues Team dealt with about 48,000 phone calls from residents regarding payment of their Council Tax liability. Most of the increased debt recovery action in 2013/14 can be attributed to the introduction of the LCTS scheme.
13. The chart below illustrates the level of Council Tax debt recovery activity for from 2012/13 to 2016/17. The activity levels for 2016/17 are as at 30th September 2016.

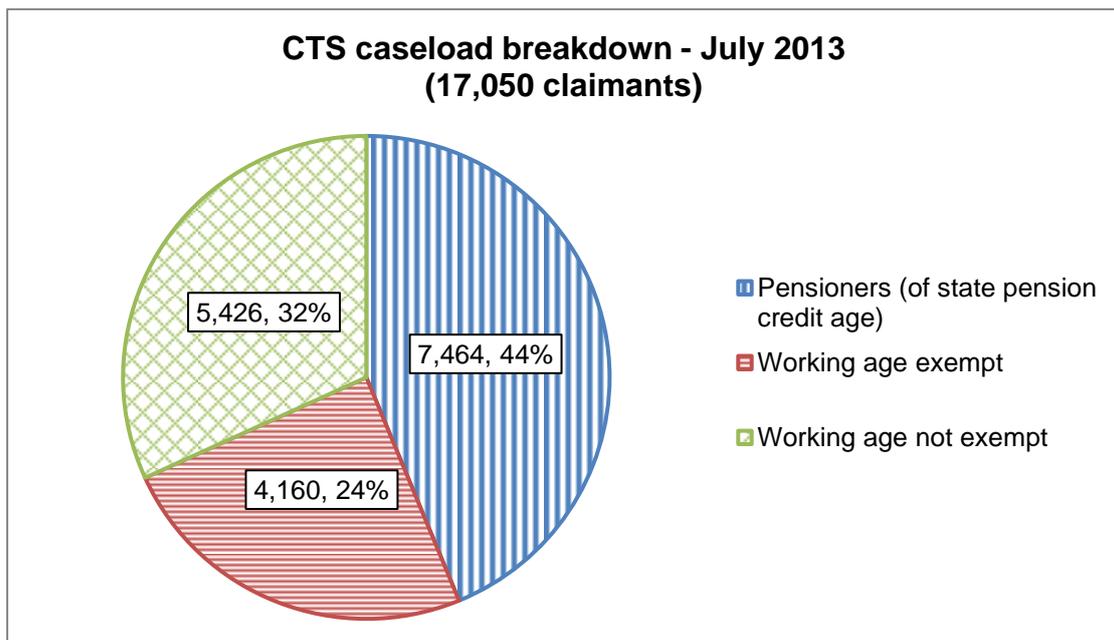


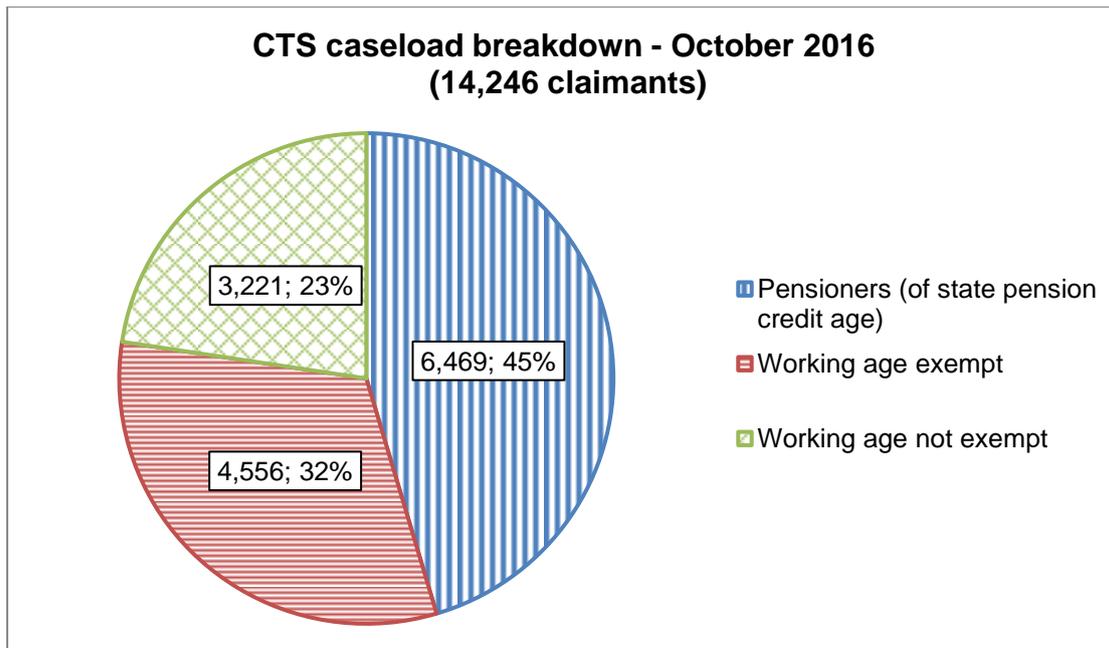
14. The debt recovery activity for 2015/16 saw a predictable reduction in the number of documents issued although this did not adversely affect collection rates as late and non-payers were rigorously pursued once all residents had been re-billed following the PCC referendum.

15. In 2015/16 Council Tax totalling £160.3m was collected compared to £154.9m in 2014/15, which was an increase of £5.4m. This reflects the growing tax base (number of households) and improved collection of both current years and previous year's Council Tax debt.

The Current Central Bedfordshire Council Scheme

16. Since the introduction of Council Tax Support the number of Central Bedfordshire Council claimants receiving LCTS has dropped by 19% or 3,372 claimants, from 17,667 in April 2013 to 14,295 in September 2016.
17. The case load can be separated into three distinct categories of claimants, Pensioners, Protected working age claimants and Non Protected working age claimants who are required to pay a minimum of 25% of their Council Tax liability.
18. The charts below illustrate how the number of claimants in these the three categories has changed since the scheme was introduced.





19. The number of pensioner claimants has reduced by 995 cases or 13.3%, working age exempt (protected) claims have increased by 396 or 9.5% and working age not exempt (required to pay 25%) have reduced by 2,205 or 40.6%.
20. The overall reduction in claimants can in the main be attributed to the improved economic climate although this does not explain the increase in working age exempt cases. Several other Councils in the same benchmarking group have seen similar increases in their exempt cases, and whilst there are no hard facts available to explain the increase (other than we know we now have more disabled claimants), some of the advice agencies have said that the Personal Independence Payment or PIP is easier to claim than Disability Living Allowance. This may be a factor as well as an increase in the number of people affected by diabetes.

The proposed scheme for 2017/18

21. It is proposed that the current scheme be readopted for 2017/18 with no changes being proposed.

Other factors impacting on future schemes

22. It is important that any scheme agreed by the Council is capable of being administered effectively. This Council uses Civica software, one of three systems available for this purpose. The costs of implementing changes to the scheme are relevant, in the context of the likely sums to be recovered from Council Tax payers and claimants. The Council's software company along with other similar providers stated its intention not to make any major changes to its software until after the national review of Council Tax Support. It is now discussing possible changes

with Councils in particular with a view to making modifications when the full roll out of Universal Credit is due in 2022.

23. Several Councils are discussing what are known as “banded discount schemes” which are thought to be a simplified version of the existing means tested schemes, although nationally only one Council has introduced such a scheme. It seems unlikely that there will be any Civica software users who introduce major changes to their schemes in 2017/18.
24. Current and future Welfare Reforms will impact in late 2016/17 as we see the introduction of the reduced level of Benefit Cap, with about eight times more Central Bedfordshire Council residents subject to its reduction in Housing Benefit from November 2016 (increasing from the current 38 residents to about 300). The four year freezing of benefit rates at their 2015/16 levels will continue to place a strain on household budgets.
25. Universal Credit (UC) has been introduced on a small scale into Central Bedfordshire since February 2016, and the number of claimants is likely to remain relatively insignificant through the next 18 months. There are currently about 300 Central Bedfordshire Council residents in receipt of UC although only about 30 have any rent or Council Tax liability. Calculating Council Tax Support for UC recipients does present challenges and the Council will need to consider how to apply changes to its future Council Tax Support scheme once UC is fully rolled out.

Options for consideration

26. None.

Reasons for decision

27. So that Full Council can endorse the Central Bedfordshire Council Local Council Tax Support scheme. If the scheme is not approved by 31 January 2017, the Council will have to award Local Council Tax Support in accordance with the Government’s default scheme which will result in the cost of the scheme significantly exceeding that of the Local Council Tax Support scheme.

Reason for urgency

28. None.

Council Priorities

29. By protecting vulnerable and elderly people as well as providing incentives to work, the proposed Local Council Tax Support (LCTS)

scheme is designed to support the Council's Medium Term Plan priorities of:

- Promoting health and wellbeing and protecting the vulnerable.
- Improved educational attainment.

Corporate Implications

Risk Management

30. The transfer from Council Tax Benefit to localised Council Tax Support means the impact of increased demand and cost will be a risk for all preceptors.
31. The Council and its precepting partners, the Police and Fire authorities, will need to monitor closely local social and economic changes and ensure there is a consideration of the impact of possible future shortfalls in funding.

Staffing

32. The introduction of a local CTS scheme has led to a significant increase in the number of residents who have contacted the Council. These contacts have mainly been to the Revenues and Benefits teams and Customer Services.

Legal Implications

33. The Local Government Finance Bill 2012 states that for each financial year, Councils must consider whether to revise their Council Tax Support scheme or replace it with another scheme and that such decisions need to be made by 31 January in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make a Council Tax Support scheme by 31 January 2016, a default scheme will be imposed on the Council which will be effective from April 2017.

Financial Implications

34. The gross Council Tax Support discount awarded within Central Bedfordshire in 2016/17 is presently £13,463,994 on an annualised basis, which is a 0.35% increase on the same period last year.
35. The Council's Medium Term Financial Plan assumes that the current scheme will continue with no additional savings planned to be met by scheme changes in 2017/18.

Equalities Implications

36. Public authorities have a statutory duty to advance equality of opportunity, eliminate unlawful discrimination, harassment and

victimisation and foster good relations in respect of nine protected characteristics; age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

37. A full equality assessment was conducted as part of the approval process for the 2013/14 Council Tax Support Scheme to ensure that due regard was given to the impact of the scheme on the Council's residents, particularly those who are vulnerable and hard to reach.

Conclusion and next Steps

38. Approval is being sought to keep the local Council Tax Support scheme unchanged for 2017/18.

Appendices

39. None.

Background Papers

40. None.