

REPORT OF: FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

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Report Author: Vince Green
Tel. No: 01282 661867
E-mail: vince.green@pendle.gov.uk

REVIEW OF LOCAL SCHEME OF COUNCIL TAX SUPPORT

PURPOSE OF REPORT

1. The purpose of this report is to seek approval to commence a public consultation on possible changes to the Council's local scheme of council tax support for 2017/18.

RECOMMENDATIONS

2. It is recommended that the Executive:
 - (a) Approve the proposed consultation on potential changes to the local scheme of council tax support;
 - (b) Note that the period for public consultation will run from the 2nd September (i.e. following expiry of the call-in period) to the 31st October 2016;
 - (c) Delegate authority to the Financial Services Manager to finalise the Consultation document in consultation with the Leader and Portfolio Holder for Finance;
 - (d) Note the timetable for the remainder of the review and the intention to submit a draft scheme for 2017/18 to the Executive meeting in November.

REASONS FOR RECOMMENDATION

3. To obtain approval for a public consultation on possible changes to the Council's local scheme of council tax support having regard to issues of scheme affordability and alignment with changes to the Housing Benefits framework. The Council is legally required to consult on such matters.

ISSUE

Background

4. This report follows an initial report on this subject which the Executive considered at its meeting in May.

5. The report in May, which can be viewed [here](#), set out the background to the implementation of the Council's local scheme of council tax support in 2013. It also outlined recent developments in respect of the Housing Benefit framework which require consideration of changes to the local scheme of council tax support to ensure that the two means of financial support are aligned.
6. Under the scheme requirements, set nationally, pensioner age claimants were protected and they continued to receive support which ensured they were no worse off under the new scheme of local council tax support (LCTS); working age claimants were subject to a local scheme with billing authorities such as Pendle responsible for devising their own scheme of assistance.
7. Under the council's current scheme, working age claimants are required to contribute at least 20% towards their annual council tax bill. The Council provides the remaining 80% via council tax support. The majority of pension age claimants receive 100% support. Council tax support operates as a discount and is applied to the recipient's council tax bill.
8. Councils are required to approve their local schemes of support annually by 31st January for the following financial year. The Council's current scheme for 2016/17 was approved at Council in December 2015.
9. After the 2016/17 scheme was developed a number of changes were made to the Housing Benefit framework for working-age claimants from April 2016. Hence, currently, the two schemes of support are not aligned and to ensure the consistent calculation of claims in a uniform way and provide a more efficient service to the customer it is beneficial that they are. However, to align both forms of assistance requires the Council to update its scheme of council tax support for the following in respect of working age claimants:
 - *Removal of the Family Premium from Council Tax Support* - the family premium (£17.45 per week) was an allowance of earned income before housing benefit starts to be withdrawn for working families with children – this was removed for new housing benefit claims from 1st May 2016;
 - *Reduction of backdate period to 1 month* – the length of time that a housing benefit claim can be backdated has been reduced from 6 months to 1 month;
 - *Withdrawal of Council Tax support* - where a person leaves Great Britain for 4 weeks or more;
 - *Abolition of Severe Disability Premium* – links to the abolition of the SDP within the carer's element of Universal Credit.
10. In addition there are some changes to the Benefits framework which, subject to further change or government approval, are currently expected to take effect from April 2017. As a result it is necessary to take account of these when considering the Council's proposed scheme of council tax support for 2017/18. If we do not, the scheme would immediately be out of alignment again with the housing benefit framework assuming the changes are actually confirmed by the Government. The scheme design will need to be flexible so as to respond to any policy decisions should the Government's position change on any of the proposals. The relevant changes *currently* expected to impact in 2017/18 are:
 - *Limiting the number of dependant's additions to a maximum of two* - for all cases where dependants are born on or after 1st April 2017. This will apply to all Housing Benefit cases and to council tax support;
 - *Removal of the Employment and Support Allowance work related activity component* - new claimants of Employment and Support Allowance who are placed in the Work-Related Activity Group will receive the same rate of benefit as those claiming Jobseeker's Allowance because the Work Related Activity component is being abolished.

Current claimant numbers and cost

11. As at 31st July 2016 the position on Council Tax Support with regard to caseload and associated costs was as follows:

Category	Caseload	Avg. Weekly Support £	Annual Cost £'000
Working Age	5,109	13.49	3,585
Pension Age	3,540	17.16	3,159
Total	8,649	15.00	6,744

The following table provides an analysis by council tax band:

	Pension Age		Working Age		Total	
Council Tax Band	Number of claimants	Avg Weekly Support £	Number of claimants	Avg Weekly Support £	Number of claimants	Avg Weekly Support £
A	2,800	16.07	4,451	12.99	7,251	14.18
B	329	18.60	330	15.15	659	16.87
C	242	21.33	201	17.35	443	19.52
D	103	23.62	88	19.67	191	21.80
E	44	27.46	24	22.22	68	25.61
F	16	37.38	13	24.98	29	31.82
G	6	37.96	2	27.57	8	35.36
Totals / Average	3,540	17.16	5,109	13.49	8,649	15.00

12. The cost of council tax support is accounted for as a reduction to the council tax base thereby reducing the income from council tax received by the various authorities that levy a council tax precept. The cost is borne by each in relation to its share of the overall council tax (currently 15% for Pendle). Hence for Pendle the share of current cost is £1.012m.
13. The 'affordability' of local council tax support has not been reviewed since the scheme was introduced in 2013/14. Initially, the Council's share of the cost of council tax support was funded by a cash limited grant of £1.236m from Central Government. More recently the grant has been subsumed within the Council's overall funding settlement and the link between council tax support costs and government funding is no longer explicit. The following illustrates this:

2013/14

	£m
Council Tax Support	1.236
Balance of Funding Assessment	7.667
Settlement Funding Assessment	8.903

Council Tax Support as % of total funding 13.88%

2016/17

Council Tax Support	0.000 (no longer identified)
Settlement Funding Assessment	6.738

Reduction in settlement funding from 2013/14 24.3%

14. The level of council tax support provided to working age claimants has remained unchanged since the scheme was first introduced in 2013/14 despite a reduction in the Council's settlement funding of £2.165m or 24.3%. Working age claimants continue to receive a maximum of 80% support. Set in the context of the financial challenge facing the Council, with the need to save £4.8m over the next three years, maintaining council tax support at current levels will be difficult. However, any reductions in the level of support can only be made to working age claimants given the protection afforded to pensioners under the prescribed scheme regulations.
15. Councillors are aware that the Government has outlined ongoing reductions in public expenditure and funding for local government in the period to 2019/20. Projections, published with the local government finance settlement for the current year indicate the Council's revenue support grant will reduce from £3.013m in 2016/17 to £1.145m by 2019/20, a reduction of 62%.
16. Whilst it is not proposed to change the core principles of the scheme as established by Council when implementing the local scheme in 2013/14 it is, subject to the agreement of the Executive, proposed that the Council consults on whether the maximum level of support should now be reduced. If this is agreed then 2 options are proposed for consultation, namely a reduction in the maximum level of support from 80% to either 70% or 60%.

Reducing the maximum level of support to 70%

This option proposes a reduction in the maximum level of support from 80% to 70% for working age claimants making their minimum contribution towards annual council tax 30%. It is estimated on current data that this change would affect 4,001 of the 5,109 current working age claimants and add an average of £1.75 per week (£91 per annum) to the cost of council tax for claimants living in Band A properties (87% of claimants are in Band A properties).

Reducing the maximum level of support to 60%

Under this option support for council tax would be capped at a maximum of 60% for working age claimants making their minimum contribution towards annual council tax 40%. It is estimated on current data that this change would affect 4,232 of the 5,109 current working age claimants and add an average of £3.40 per week (£177 per annum) to the cost of council tax for claimants living in Band A properties.

17. If either option outlined above was implemented for 2017/18 the projected impact on the Council's financial position is as shown below:

	Pensioners £'000	Working Age - Standard claims £'000	Working Age – Income Related claims £'000	Total £'000
Current cost (max 80%)	3,159	1,200	2,385	6,744
Projected cost (max 70%)	3,159	1,108	2,091	6,358
Projected cost (max 60%)	3,159	1,001	1,800	5,960
Projected saving @ 70%	0	92	294	386
Projected saving @ 60%	0	199	585	784
Pendle's share of saving @ max. 70%	0	14	44	58
Pendle's share of saving @ max. 60%	0	30	88	118

Pendle's share of any saving is 15%

18. The Executive may choose not to consult on either of the options and if so the current scheme would continue unchanged with a maximum of 80% support for working age claimants. To deliver an equivalent saving to that shown in the table above from an increase in council tax would require an increase at Band D ranging between £2.50 (+1.02%) or £5.09 (+2.08%) depending on the option. The latter would not be permitted under current council tax regulations without holding a local referendum.

Council Tax Support across Lancashire

19. In the current year the level of council tax support provided by councils across Lancashire ranges from 100% (Lancaster) to 72.89% (Blackpool). It is understood that a number of councils in Lancashire plan to review their schemes in the current year for implementation in April 2017. In part this is driven by the technical changes linked to wider welfare reforms but in some cases the level of support is also being reviewed. For example Hyndburn Borough Council is currently consulting on a possible reduction to the maximum level of support under its scheme from 73% to 70%.

Collection of Council Tax contributions

20. The data provided by Liberata who administer and collect council tax on behalf of the Council shows that in 2015/16 the collection rate for council tax due from working age claimants was 85.62%. This compares to an overall council tax collection rate for the year of 96.34%.

Consultation

21. Before the Council can reflect any of the changes outlined above in a revised scheme it must first undertake consultation. Such consultation is required to follow that which an authority undertook when first devising its scheme of support. This requires the Council to:
- consult with any major preceptors;
 - 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.
22. Any revisions to the current scheme of support will affect all working age claimants of which there are 5,109. Pensioners will not be affected. The consultation will be undertaken with support from Infusion (formerly based in Pendle council but now at Blackpool Council).
23. The consultation will be delivered by a mix of methods including:
- Council website
 - Customer service points
 - Postal (when sending out existing letters on Benefit matters for example) or on request
 - Sharing material with partner agencies / support services
24. The draft consultation material is nearing completion and it is requested that delegated authority be granted to the Financial Services Manager to conclude this in conjunction with the Leader and Portfolio Holder for Finance. An overview of the proposed consultation content is provided at [Appendix A](#).

Next Steps and Outline Timetable

25. Subject to Councillors consideration of this report, the remaining activity and suggested timetable leading to the approval of any revised local scheme of support for 2017/18 is outlined below:

Date	Activity
25 th August	Report to Executive – request to launch consultation
2nd September	Consultation period commences
31 st October	Consultation period closes
1 st – 7 th November	Review and consideration of consultation responses
17 th November	Report to Executive on draft scheme for 2017/18
15 th December	Report to Council – formal approval of proposed scheme for 2017/18

IMPLICATIONS

Policy

The adoption of any revised localised scheme of Council Tax Support will determine the Council's policy for providing financial support to those residents who need help to pay their Council Tax. As indicated elsewhere in this report, the Council needs to adopt a Scheme annually on or before 31st January.

Financial

The financial implications are generally as outlined in this report. It is expected that the Council will engage Infusion to support the consultation process, the costs of which will be met from the Council's annual subscription to this service. There are other costs associated with external consultancy support, notably re the design of consultation templates on the technical changes. This cost is estimated at £300 and will be met from existing budgets. The Council maintains a scheme of hardship support and this will be reviewed in conjunction with any changes to the local scheme of council tax support. The adequacy of this will be considered as part of the report to the Executive in November once the consultation has been held.

Legal

The statutory provisions for the introduction of the localised Council Tax Support Scheme are contained in the Local Government Finance Act 2012. As indicated in the report, the Council is required to approve its local scheme of support by 31st January annually.

Risk Management

There are mainly compliance and financial risks associated with the operation of a local scheme of council tax support. The scheme must have regard to regulations and other statutory provisions. These extend to consultation which must be meaningful and allow an appropriate period of time. Financial risks stem from the potential volatility regarding caseload and associated costs. The former risks are managed in conjunction with Liberata who administer the Council's scheme and include the use of external consultancy support to advise on technical matters. Financial risks are managed through the Council's existing budget framework and arrangements for regular monitoring.

Health and Safety

There are no health and safety implications arising directly from the contents of this report.

Climate Change

There are no climate change or sustainability implications arising directly from this report.

Community Safety

There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

Any agreed revisions to the scheme could require additional contributions to council tax from working age claimants whilst pensioner claimants will remain unaffected. A more detailed equality impact assessment will be undertaken post the consultation and form part of the report to the Executive in November.

APPENDICES

Appendix A – Overview of consultation material content

Overview of Public Consultation material content

- Introduction and explanatory text setting out background to the scheme and why changes are being considered;
- Consideration of other options to reducing support (e.g.):
 - Increasing council
 - Reducing spending on other services
 - Using council reserves
- Questions relating to the 9 potential proposals to change:
 - Reducing the maximum level of support for working age claimants from 80% to 70%
 - Reducing the maximum level of support for working age claimants from 80% to 60%
 - Removal of the family premium for all new working age claimants
 - Reducing the backdating of new claims to 1 month
 - Reducing the period for which a person can be absent from Great Britain and still receive council tax support
 - Removal of the work related activity component for new employment and support allowance (ESA) applicants
 - To limit the number of dependant children to a maximum of 2 when calculating support
 - Removal of entitlement to the severe disability premium where another person is paid Universal Credit (Cares element) to look after them
 - To require all changes in circumstances to be reported within one calendar month
- Opportunity to suggest other ways in which the council can save money
- Summary of Frequently Asked Questions (FAQs) and other guidance material