

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATES: 17<sup>th</sup> NOVEMBER 2016**

**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 (a) inform the Executive of the outcomes from the recent public consultation on possible changes to the Council's local scheme of council tax support and (b) seek approval to recommend to Council in December that changes be made to the Council's scheme with effect from 1<sup>st</sup> April 2017.

### **RECOMMENDATIONS**

2. It is recommended that the Executive:
  - (a) consider and have regard to the results of the recent public consultation exercise on possible changes to the Council's local scheme of council tax support for 2017/18; and
  - (b) note that two of the changes proposed from 1<sup>st</sup> April 2017 are dependent on confirmation of Government policy decisions;
  - (c) subject to (b) above agree that the technical changes required to align the scheme with the administration of Housing Benefits be recommended for approval to Council;
  - (d) subject to (c) above, refer the proposed scheme of Local Council Tax Support at [Appendix B](#) to Council in December for approval with an implementation date of 1<sup>st</sup> April 2017;
  - (e) request that Council grants delegated authority to the Financial Services Manager, in consultation with the Executive Member for Finance, to make any amendments to the scheme resulting from the annual updating of the detailed regulations which underpin the primary legislation.

### **REASONS FOR RECOMMENDATION**

3. To align the Council's local scheme of council tax support with changes to the Housing Benefits framework. The Council is required to approve its scheme of local support for a financial year by 31<sup>st</sup> January in the preceding year. As there is no Council meeting in January this report seeks approval to make recommendations to Council in December on changes to the scheme from 1<sup>st</sup> April 2017.

## ISSUE

### Background

4. The Council implemented a local scheme of council tax support in April 2013 in response to national changes instigated by the Government as part of its programme of welfare reforms. The local scheme replaced the former national system of Council Tax Benefit and introduced Council Tax Support which operates as a discount applied to the recipient's council tax bill.
5. Under the scheme requirements, set nationally, pensioner age claimants were protected and continued to receive support which ensured they were no worse off under the new scheme; working age claimants were subject to a local scheme with billing authorities such as Pendle responsible for devising their own scheme of assistance.
6. The Council formally approved its local scheme in December 2012 and this was implemented on 1<sup>st</sup> April 2013. A copy of the report to Council in December 2012 is available on-line at <http://www.pendle.gov.uk/meetings/meeting/1449/council> (item 12 refers).
7. The current arrangements require Councils to approve their local schemes of support annually by 31<sup>st</sup> January for the following financial year. The Council's current scheme for 2016/17 was approved at Council in December 2015.
8. After the 2016/17 scheme was approved 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 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 1<sup>st</sup> May 2016;
  - *Reduction of backdate period to 4 weeks* – the length of time that a housing benefit claim can be backdated has been reduced from 6 months to 4 weeks;
  - *Withdrawal of Council Tax support* - where a person leaves Great Britain for 4 weeks or more;
  - *Abolition of Severe Disability Premium (SDP)* – links to the abolition of the SDP within the carer's element of Universal Credit.
9. In addition there are some national changes to the Benefits framework which, subject to change, are due to take effect from April 2017. As a result it is necessary to take account of these in considering the Council's scheme of council tax support for 2017/18. If not, the scheme will immediately be out of alignment again with the housing benefit framework. The two changes due 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 1<sup>st</sup> 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.
10. Before it can make changes of the type outlined above the Council must undertake consultation. Such consultation is required to follow that which an authority undertook when first devising its scheme of support including the requirement to:

- consult any major precepting authority which has power to issue a precept (i.e. the County Council, Fire Authority and the Police & Crime Commissioner);
  - consult such other persons as it considers are likely to have an interest in the operation of the scheme.
11. Information on possible changes to the scheme were shared with the 3 major preceptors in August at which time potential reductions in the maximum level of support were being proposed by officers (reductions down to either 70% or 60% from the current maximum of 80%). However, the Executive rejected this and resolved that the maximum level of support should remain unchanged at 80% for 2017/18. This negated the response received on behalf of the Fire Authority which expressed the view that “*changes should maintain a cost neutral position for participating authorities, and as such the Authority would support the proposed reduction in the maximum amount of subsidy that can be awarded to working age claimants*”. No comments were received from the other major preceptors.
12. The public consultation exercise was launched on the 5<sup>th</sup> September and ran for 8 weeks to the 31<sup>st</sup> October. The consultation was supported by in:fusion who provide consultation support to a number of Lancashire councils. Their report on the consultation is presented at [Appendix A](#). This sets out the methodology and main findings. In addition to the consultation methods outlined in the report we also consulted with a wide range of partners requesting their help and support in raising awareness of the consultation, including:
- Local town and parish councils
  - Partners on the Pendle Welfare Reforms Group (e.g. CAB, DWP, Welfare Rights, Housing Pendle)
  - Multiple agencies and representatives forming the Burnley & Pendle Homelessness Forum
13. Figure 1.1 from the Executive Summary in Appendix A summarises the level of agreement for each of the consultation proposals and is reproduced below:

	Strongly agree or agree	Strongly disagree or disagree	Don't know
To reduce the period for which a person can be absent from Great Britain and still receive Council Tax Support to four weeks	83%	14%	3%
To limit the number of dependent children within the calculation for Council Tax Support to a maximum of two	71%	22%	7%
To reduce backdating to one month	61%	34%	4%
To remove the Family Premium for all new working age applicants	58%	29%	13%
To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them	56%	28%	14%
To reduce the element of a Work Related Activity Component in the calculation of the current scheme for new ESA applicants	53%	22%	25%

*Where % totals are above or below 100%, this is due to rounding*

14. It should be noted that the report at Appendix A states a number of respondents commented that they did not understand some of the proposals and what they mean due to the technical nature of the consultation topic. The number of responses received (97) is also low with less than 20% being from households currently in receipt of council tax support. The next stage of the report considers each of the proposed changes in turn.

### *Removal of the Family Premium from Council Tax Support*

15. If agreed, the removal of family premium from 1st April 2017 for **new** claims would bring our council tax support scheme in line with housing benefit. The family premium forms part of the assessed 'needs' (i.e. applicable amounts) of the claimant which are compared with their actual income. Family Premium is normally given when a claimant has at least one dependant child living with them. Removal of the premium would mean that the assessed needs would not include the family premium (currently £17.45 per week).
16. This means that the amount of income at which Council Tax support starts to diminish will decrease, and those whose income would have already resulted in a means-tested reduction to their Council Tax support will receive up to £3.49 per week less. This change would not affect those on Universal Credit, Income Support, Income Related Employment and Support Allowance or Income Based Jobseeker's Allowance. In addition, any person in receipt of the Family Premium on 31 March 2017 would keep their entitlement to it as long as their council tax support continued and a dependant child continued to live with them as part of their family.

### *Reduction of backdate period to 4 weeks*

17. The length of time that a housing benefit claim can be backdated has been reduced from 6 months to 4 weeks. It is proposed that the Council's Council Tax Support Scheme be aligned with this. Taking 2014/15 as an example, there were a total of 66 backdated applications with a total value of £20,700. Of these 21 were for periods in excess of 4 weeks with a combined value of £17,600.

### *Withdrawal of council tax support where away from Great Britain for more than 4 weeks*

18. Within the current scheme, applicants can be temporarily absent from their homes for 13 weeks (or 52 weeks in certain cases) without it affecting the Council Tax Support. This replicated the rule within housing benefit. However, housing benefit has been changed so that if a person is absent from Great Britain for a period of more than 4 weeks, their benefit ceases. It is proposed that the council tax support scheme is amended to reflect this change. It would be odd to have a lack of consistency whereby being absent for over 4 weeks meant a customer could continue receiving one means of support whilst losing entitlement to another. There will be exceptions for certain occupations such as mariners and the armed forces.

### *Abolition of the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them*

19. Currently when another person is paid Carers Allowance to look after a person receiving council tax support, then the Severe Disability Premium is not included when working out their assessed needs (applicable amounts). This is so as to avoid paying for the same care twice. This proposed change will align the scheme with housing benefit as persons receiving Universal Credit (Carers Element) would be treated in the same way as those receiving Carers Allowance who look after any person who claims Council Tax Support.

### *Limiting the number of dependant's additions to a maximum of two*

20. Within the current scheme, claimants who have children are awarded a dependant's addition of £66.90 per child within the calculation of their needs (Applicable Amounts). There is no limit to the number of dependant's additions that can be awarded.

21. From April 2017 the Government proposes to limit dependant's additions in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. *This will only affect households who have a third or subsequent child on or after 1st April 2017.* It is proposed that the Council's council tax support scheme is amended to reflect the changes in housing benefit and other national benefits. There will be exceptions where there are multiple births after 1st April 2017 (and the household is not already at their maximum of two dependants within the calculation), adopted children or where households merge.
22. Based on information received in May 2016 when drafting the first report to the Executive on this subject, there were an estimated 447 claimants with 3 or more dependants with a total of 13 'new' claims arising in the preceding 12 month period.

*Removal of the Employment and Support Allowance work related activity component*

23. From April 2017, all **new** applicants of Employment and Support Allowance (ESA) who fall within the Work Related Activity Group will no longer receive the work related activity component in either their ESA or within the calculation of Housing Benefit. It is proposed that the Council's Council Tax Support Scheme is amended to reflect this change. Persons receiving ESA would not experience any reduction in Council Tax Support.

***Proposed scheme of local council tax support for 2017/18***

24. The implementation nationally of the last two changes outlined above remains subject to confirmation by Government and would only form part of the Council's local scheme of council tax support subject to confirmation of government policy and if agreed by councillors.
25. The Executive has already rejected proposals to reduce the maximum level of council tax support from 80% to either 70% or 60% for next year. Hence, fundamentally the scheme for next year will continue to protect pensioner claimants as now and require working age claimants to continue paying a minimum of 20% of their council tax bill rather than 30% or 40%.
26. The technical changes outlined in this report will have an impact on claimants but the numbers affected are difficult to quantify. Some of the changes will only apply to new claimants from the 1<sup>st</sup> April, whilst others will not apply to claimants already in receipt of other forms of benefit.
27. From an operational and system point of view it is inefficient to operate two schemes of support (i.e. housing benefit and council tax support) that have different parameters and rules applied to them. It is confusing for claimants and administratively cumbersome.
28. Hence it is recommended that all the changes outlined in this report are implemented with effect from 1/4/17 noting that certain changes are conditional on national policy decisions. The draft scheme provided at [Appendix B](#) has been prepared on this basis. The consultation findings, albeit based on a very low number of responses, are generally supportive of the changes being proposed.
29. The changes are being considered at a time of wider welfare reforms and the cumulative impact of all reforms could be greater than implied by the changes in this report for some customers. For this reason the Council will continue to operate the scheme of hardship relief which was established on the inception of the local scheme of council tax support in 2013.

30. It should also be noted that each year the Department for Communities and Local Government update the Prescribed Requirements Regulations which (a) uprate the relevant premiums, allowances and deductions and (b) keep the regulations consistent with housing benefit regulations. At the time of writing this report the updated information for 2017/18 had not been issued hence the scheme provided at Appendix B reflects current parameters.
31. As there is no Council meeting in January 2017, the intention is to report the proposed scheme for 2017/18 to Council in December and request delegated authority for the Financial Services Manager, in consultation with the Executive Member for Finance, to conclude the scheme once the above matters have been completed. Following this, the final scheme would be published on the Council's website and come in to effect from 1st April 2017.

## IMPLICATIONS

### Policy

32. 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 31<sup>st</sup> January.

### Financial

33. As at the 31<sup>st</sup> October there were 8,580 residents in receipt of council tax support. A split by category showing the average weekly entitlement is shown in the table below.

Category	Caseload	Avg. weekly entitlement £	Annual Cost £'000
Working Age	5,091	13.46	3,563
Pension Age	3,489	17.17	3,115
<b>Total</b>	<b>8,580</b>	<b>14.97</b>	<b>6,678</b>

34. The award of council tax support is applied directly as a discount to the council tax bill rather than paid as a benefit. The total value of support provided reduces the council tax base and variations in actual cost compared to that estimated at the start of the year forms part of the surplus or deficit on the collection fund each year which is apportioned between the Borough Council and the major preceptors.
35. The service provided by in:fusion forms part of the Council's annual subscription to the service. Other external consultancy support linked to the design of consultation templates on the technical changes cost £300 funded from existing budgets.
36. The overall financial impact to the Council of the scheme changes proposed for 2017/18 is difficult to estimate given the uncertainty regarding the application of some changes. From a customer perspective the impact will depend on individual circumstances and timing but will lead to reductions in support in specific cases.
37. There is no change in the maximum level of support provided under the current scheme of support; this is maintained at 80%. The current scheme of hardship relief will also be maintained to provide additional support in exceptional cases.

## **Legal**

38. 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 31<sup>st</sup> January each year.

## **Risk Management**

39. 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**

40. There are no Health and Safety implications arising directly from the contents of this report.

## **Climate Change**

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

## **Community Safety**

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

## **Equality and Diversity**

43. The changes proposed are technical in nature and primarily aimed at aligning the council's local scheme of council tax support with the national housing benefits framework. The changes proposed in this report should not have a disproportionate impact on those groups with protected characteristics under equality legislation namely, by reference to age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity

## **APPENDICES**

Appendix A – report from in-fusion on the public consultation

Appendix B – draft scheme of local council tax support for 2017/18

## **LIST OF BACKGROUND PAPERS**

Reports to the Executive - 26<sup>th</sup> May 2016 (item 8) and 25<sup>th</sup> August 2016 (item 9)