

REPORT TO: EXECUTIVE

Date of Meeting: 1 December 2015

Report of: Assistant Director Customer Access

Title: Exeter City Council's Local Council Tax Support Scheme for 2016/17

REPORT TO: COUNCIL

Date of Meeting: 15 December 2015

Is this a Key Decision? No

Is this an Executive or Council Function? - Council

1. What is the report about?

1.1 This report is presented to seek members' views on the local Council Tax Support (CTS) Scheme for working age residents for 2016/17. The local CTS scheme started in April 2013 and members are required to agree the Scheme rules annually.

1.2 The local CTS working age Schemes agreed by members in previous years follow a CTS means-test calculation based on the pre April 2013 national Council Tax Benefit¹ regulations with the following components:

- Means test on 80% Council Tax liability
- Capital maximum of £6k
- Removal of Alternative Maximum Council Tax Support (known as second adult rebate)
- Provision of an Exceptional Hardship Fund

2. Recommendations:

2.1 That Executive recommends to Council the continuation of the current 2015/16 CTS scheme for working age customers for the financial year 2016/17.

3. Reasons for the recommendation:

3.1 Chief Financial Officers presented a report to Devon Local Government Steering Group in May 2015². The opinion of this group was that it was preferable to maintain schemes for 2016/17 and work towards the possibility of making changes for 2017/18. The majority view was that no authority wanted to be the first to make further cuts to this benefit while other authorities maintain support at existing levels.

3.2 Largely due to a reducing caseload and pro-active work which has been undertaken to identify fraud and error, the latest projections indicate that an unchanged scheme for 2016/17 will cost less than the amount budgeted in 2013/14. (The budget for 2013/14 was £7,067,596)

3.3 Maintaining the scheme into 2016/17 will allow the details of proposed and forthcoming welfare reforms to be known. Their impacts can then be factored into a scheme for the following year.

3.4 In order to make changes to the working age CTS scheme, ECC will need to consult on the proposed changes with the residents of Exeter, stakeholders and the major

¹ The Council Tax Benefit Regulations 2006 (S.I 2006/215)

² Council Tax – Future Strategy 15 May 2015

precepting authorities. A Supreme Court decision in 2014³ has imposed strict new criteria for the form of this consultation. In addition to proposing details of how reductions can be made, options must be presented which show how schemes can be maintained through reductions in other services or using other resources. Public consultation will need to take place for a period of up to 12 weeks⁴ at an estimated cost of £20,000 plus additional costs of communicating with affected customers about a changed Scheme.

- 3.5 Devon County Council representatives attend the Devon Benefit Officer Group (DBOG) meetings and have indicated their agreement in principle to CTS schemes remaining unchanged. This constitutes consultation with the preceptors as key scheme discussions are reported and minuted at these meetings and also copied to both the Fire & Police authorities for comment. Any decisions made by individual authorities outside this agreement will require separate consultation.
- 3.6 Continuation of the current CTS scheme will allow for further analysis within the 'Help Me With my Financial/Housing Problem' System by developing tax payer profiling, payment propensity and the further development of pro-active collection initiatives within the 'One View of Debt' System.
- 3.7 Further revision of the CTS Scheme, including reducing or removing entitlement to CTS, may need to include transitional protection⁵ for groups or individuals affected by the change and may have adverse equality impacts. Any transitional protection agreed will need to be calculated into the overall CTS expenditure.

4. What are the resource implications including non financial resources.

- 4.1 If the CTS scheme is changed, the CTS administration and payment IT system will need to change too. The cost of updating the IT system will depend on the changes made to the calculation criteria within the new proposed CTS scheme. At present Capita's Academy system supports both Housing Benefit & Council Tax Support schemes. To make unique scheme changes, which moves our CTS scheme away from a national scheme, will incur further software costs.
- 4.2 ECC's current CTS scheme follows roughly the same means-test principles that are applied to the calculation of Housing Benefit. As the CTS scheme criteria changes these two benefits may further separate in administration and calculation, requiring more time per case where the customer has a joint Housing Benefit and Council Tax Support claim. The added administrative resource implication of a CTS scheme change could have a direct impact on prompt assessment and payment performance for our customers and the forecast CTS budget if backlogs occur.
- 4.3 The CTS scheme is currently demand led, this means that an increase in our CTS caseload for either working age or pension age claims will directly impact the cost of the scheme and could rise above the estimated annual budget. The reasons for an unexpected increase in our caseload could come from economic impact such as a

³ R (on the application of Moseley (in substitution of Stirling Deceased)) (AP) (Appellant) v London Borough of Haringey (Respondent)

⁴ DCLG Localising Support for Council Tax Statement of Intent, May 2012 HM Government Consultation Principles: Guidance, November 2013

⁵ Local Government Finance Act 1992 (as amended) Sch. 1A (5)

large local employer closing down or an increase in migration of low income households into Exeter.

- 4.4 A review of local CTS schemes by the DCLG is scheduled to begin in late 2015. At this stage it is not known whether the review will recommend significant changes to the national scheme or attempt to influence local scheme designs. It may be prudent to timetable any CTS scheme changes in line with this review if possible to minimise the administrative complexity.
- 4.5 Amending our CTS scheme in order to reduce the overall scheme cost will directly impact the working age caseload. This group will be required to pay more towards their Council Tax liability, which is likely to have an adverse effect on Council Tax collection rates.

5. Section 151 Officer comments: -

- 5.1 The Medium Term Financial Plan has no expectation of savings being made in this area, and therefore there would be no adverse impact on the Council's financial position from agreeing to the recommendation in the report. The Section 151 Officer agrees that the risk to Collection Rates must be taken into account when considering future alterations to the scheme.

6. What are the legal aspects?

- 6.1 As already identified in the body of this report, if members were minded to change the Scheme, we are required to consult the public on the proposed changes. The Council would also need to undertake any Equality Impact Assessment of any proposed changes to the Scheme following members' consideration.

7. Monitoring Officer's comments:

- 7.1 This report raises no issues for the Monitoring Officer.

8. Report details:

- 8.1 CTS caseload and therefore overall expenditure, has dropped each year since April 2013. The CTS Scheme for 2014/15 ran at a total cost of £6,448,624. The 2015/16 CTS Scheme total running cost is currently £6,237,021⁶.
- 8.2 If the current caseload reduction continues, CTS expenditure will fall, however outside influences (as discussed at paragraph 4.3 above) could increase ECC's CTS expenditure, for example if more working age residents need help to meet their Council Tax liability and qualify for CTS under our current scheme criteria.
- 8.3 The table below shows the projected CTS expenditure for 2016/17 if the scheme remains unchanged. This projection is based on a 2% Council Tax increase with an inflation increase and up rating of some applicable amounts and non-dependant deductions in the current scheme:

⁶ Caseload figures at 18.09.2015

2016-17 Charge Estimate	ECC	DCC	Fire	Police	Total
2015-16 Band D	£135.05	£1,161.27	£78.42	£169.47	£1,544.21
2016-17 Increase	2.00%	2.00%	2.00%	2.00%	2.00%
2016-17 Band D Charge	£137.75	£1,184.50	£79.99	£172.86	£1,575.10
2016-17 Ratio	8.75%	75.20%	5.08%	10.97%	100%
2016-17 CTS	£564,899	£4,854,901	£327,964	£708,222	£6,455,985

8.4 As at 01.10.2015, Council Tax collection is on target. It is projected that the 96.5% collection target will be met at the end of the financial year. This target now incorporates a provision for reduced collection on CTS cases. Further work is being undertaken to enable identification of collection rates and arrears for CTS cases.

8.5 This report recommends no change to the scheme for 2016/17 but options for the 2017/18 CTS scheme that members may wish to consider are:

i) The introduction of a minimum income floor for working age self-employed CTS claims after an initial 12 months trading. This follows the provision in Universal Credit regulations⁷. Our local scheme could introduce a minimum income expectation based on an assumption that the claimant was working 35 hours weekly multiplied by the national minimum wage. It would need to include robust criteria and protections for the vulnerable. This would affect most current self-employed claims including single, couples, lone parents and households with disability and/or caring responsibilities. The projected savings to the CTS scheme budget with this change would be £147,490. The total saving to ECC would be £12,905 when our 8.75% share of Council Tax collection is taken. A full equality impact assessment would need to be completed if Members wish to pursue this option.

ii) The working age CTS scheme can be adapted by changing the current means test. The excess income taper for earned and non-earned incomes is currently set at 20%, in line with the previous Council Tax Benefit regulations. This taper could be increased to 35%, meaning more of a claimant's money would need to be put towards Council Tax. This change would affect all current non passported working age CTS claims including single, couples, lone parents and households with disability and/or caring responsibilities, with a disproportionate effect on working households. Projections suggest this change would affect 923 households, with an average loss of £188 per year. This change could reduce the cost of the scheme by £173,338, saving ECC £15,167. A full equality impact assessment would need to be completed if Members wish to pursue this option.

iii) The current scheme limits support to a maximum of 80% Council Tax liability. By reducing this maximum level significant savings can be made as all working age households would be affected. Bringing the level down to 70% of liability would reduce scheme costs by £360,324, saving ECC £31,528. Once again, a full equality impact assessment would need to be completed if Members wish to pursue this option.

iv) Introducing a Council Tax band restriction, where help is based on the charge at a lower band, will yield limited budget savings. Restricting help for claims at band C or above to the level of a band B property would reduce scheme costs by £158,589, saving ECC £13,877.

⁷ S.I. 2013/376

8.6 Savings are based on caseload modelling as at 18 September 2015 and are indicative only. Savings assume only one change is made to the scheme. If more than one parameter is changed, the savings will not be cumulative, due to some customers becoming nil entitled. Any or all of these options can be explored further for 2017/18.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 'Help me back to financial independence'- Point 133 'Improve the way we deal with visitors to our Customer Service Centre who have financial and housing problems so they receive timely and cost effective advice'. Recommendation to keep CTS scheme the same to support Exeter working age residents to manage finances without additional financial burdens for 2016/17 and taking pro-active steps to help customers manage payments to ECC & reduce their debts to encourage financial independence.

9.2 Any future working age CTS scheme changes would be fully equality impact evaluated under the corporate vision above to inform members' decisions.

10. What risks are there and how can they be reduced?

10.1 Legal challenge to the CTS scheme. The current 2015/16 CTS scheme carries a full equality impact assessment completed in October 2012 following the public consultation. The risk of legal challenge to the 2016/17 CTS scheme is reduced by keeping the current CTS scheme rules.

10.2 Working age/child poverty issues. There could be potential financial impact on the working age residents of Exeter if the CTS scheme is changed to make further savings. Some working age residents are also subject to other financial welfare reforms introduced in April 2013 and will be impacted by the next round of welfare reforms from April 2016. Further financial impact on working age Exeter residents may have an adverse impact on Council Tax collection rates. The risk of further financial impact to the working age residents of Exeter can be reduced by keeping the current CTS scheme rules

10.3 Further revision of the CTS scheme that reduces or removes entitlement to CTS may need to include transitional protection for some working age residents who are adversely affected. Any transitional protection will need to be agreed by members and calculated in the overall CTS budget.

10.4 Exeter City Council would likely be the only local authority in Devon to propose a change to the CTS scheme for 2016/17. This may have an adverse impact on the authority's reputation and generate negative publicity. Keeping the CTS scheme the same for 2016/17 will match the proposed actions of most other authorities in Devon as agreed at Devon Local Government Steering Group in May 2015.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 2015 Vulnerability Statement attached at appendix 1

12. Are there any other options?

12.1 The option exists for members to change the current CTS scheme to make savings on the forecast 2016/17 CTS expenditure as suggested at section 8 above. Any change will require full financial modelling against agreed budget savings required and full equality impact assessment to take place before implementation. The timescales do not allow for proper consultation of Exeter residents, stakeholders and our major precepting authorities which would result in an amended scheme being open to legal challenge.

Bindu Arjoon
Assistant Director Customer Access

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

Local Government Finance Act 1992 (as amended)

HM Government, Consultation Principles: Guidance, November 2013

Department for Communities and Local Government, Localising Support for Council Tax, Vulnerable people – key local authority duties, February 2014

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275