

**REPORT TO EXECUTIVE****Date of Meeting: 24.06.2014****Report of: Assistant Director Customer Access****REPORT TO COUNCIL****29.07.2014****Title: Exeter City Council's Local Council Tax Support Scheme for 2015/16****Is this a Key Decision? Yes****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 2015/16. The local CTS scheme started in April 2013 and members are required to agree the Scheme rules annually.

1.2 Both the 2013/14 and 2014/15 local CTS working age Schemes agreed by members follow a CTS means-test calculation based on the pre April 2013 national Council Tax Benefit<sup>1</sup> 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 2014/15 CTS scheme for working age customers for 2015/2016.

**3. Reasons for the recommendation:**

3.1 Early indications from the Devon Benefit Officer's Group (DBOG), that have been meeting since February 2012, to define and implement the localised CTS schemes across Devon, shows that virtually all Devon local authorities are not seeking to change their CTS schemes until 2016/17. The reluctance to change the 2015/16 CTS schemes across Devon seems to arise from a need to further analyse scheme impacts on current parameters and a disinclination for local authorities to change their Scheme in isolation. Devon County Council representatives attend the 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.

3.2 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.

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

- 3.4 The table below shows the 2014/15 business case agreed by the preceptors to fund proactive collection initiatives

Collection Fund 2014-15 Estimated Costs	Cases	Total Cost	Per Authority	Ratio	Cost	Gain
Initial Letter + Prepaid envelope 100% (CTR Estimated claims) @ £2 per case	5,145	£10,290	Devon County Council	75.20%	£25,587	£286,186
Reminder follow up + selected telephone contact 40% @ £3 per case	2,058	£6,174	Exeter City Council	8.75%	£2,976	£33,285
Final follow up + selected visits 10% @ £5 per case	515	£2,573	D & C Police	10.97%	£3,734	£41,764
Debt Management (1 staff 1/2 day 5 days per week) *		£15,000	D & S Fire	5.08%	£1,728	£19,327
<b>Total</b>		<b>£34,025</b>		<b>100%</b>	<b>£34,025</b>	<b>£380,563</b>

\* Additional staff required for final follow up prior to obtaining summons

- 3.3 Further revision of the CTS Scheme, reducing or removing entitlement to CTS, may need to include transitional protection<sup>2</sup> 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.

- 3.4 If the CTS working age Scheme changes, ECC will need to consult on the proposed changes with the residents of Exeter, stakeholders and the major precepting authorities. Public consultation will need to take place for a period of up to 12 weeks<sup>3</sup> at an estimated cost of £20,000 plus additional costs of communication both in the consultation period and for the final agreed Scheme.

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

- 4.1 The CTS administration and payments system will need to change alongside any changes to the CTS scheme. The system upgrade and costs will depend on the changes made to the calculation criteria within the CTS scheme, at present Academy supports the system for both Housing Benefit & Council Tax Support schemes nationally, this will directly influence the availability of unique scheme changes. Different CTS parameter changes may or may not be supported by the software provider, this fact will have a direct impact on the shape and cost of the scheme.
- 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 assessor resource within the System has dropped by 5.7 FTE in the last 18 months; 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.

<sup>2</sup> Local Government Finance Act 1992 (as amended) Sch. 1A (5)

<sup>3</sup> DCLG Localising Support for Council Tax Statement of Intent, May 2012 HM Government Consultation Principles: Guidance, November 2013

- 4.3 The CTS scheme is currently open-ended, this means that an increase in our CTS caseload for both 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 large local employer closing down, other factors that cause an upturn in unemployment for Exeter residents or factors that could lead to an increase in migration of low income households into Exeter.
- 4.4 It is anticipated, but yet unconfirmed, that the Department for Communities and Local Government (DCLG) will impose some national criteria to all working age local CTS schemes surrounding treatment of income for households with children to further address child poverty issues. A review of local CTS schemes by the DCLG is likely to take place in 2015; it may be prudent to timetable any CTS scheme changes in line with this review if possible to ensure cohesion with national requirements.
- 4.5 Reducing the scheme spend will directly impact the working age caseload, this group will be required to pay more towards their Council Tax liability, this could have an adverse effect on Council Tax collection rates.

## **5. Section 151 Officer comments: -**

- 5.1 The Council's Medium Term Financial Plan does not set out a requirement for the Council Tax Support Scheme to be amended in 2015/16. Therefore there is no pressing financial requirement to amend the scheme at the present time. Given that the Grant provided to the City Council now forms part of the Council's general grant settlement from Government, there may be a benefit to working with the other Devon authorities next year on an amended scheme for 2016/17.

## **6. What are the legal aspects?**

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:**

## **8. Report details:**

- 8.1 The current 2013/14 CTS Scheme ran at a total cost of £6,693,973<sup>4</sup>. The current 2014/15 CTS Scheme total running cost is £6,668,779<sup>5</sup>. This includes CTS paid to both pension age and working age customers. The current caseload is subject to change and this makes actual budget forecasts difficult. The caseload since April 2013 has dropped as illustrated in the table below at paragraph 8.2. The forecast cost to ECC for the current scheme to be carried to 2015/16 is £6,842,725.
- 8.2 The table below shows the drop in the CTS caseload since August 2012:

	Total caseload	Working Age caseload	Pension Age caseload	CTS expenditure forecast
August 2012	9922	5709	4213	£7,067,596

<sup>4</sup> Caseload figures at 01.04.2014

<sup>5</sup> Caseload figures at 09.06.2014

(pre CTS modelling)				
April 2013	9520	-	-	£7,067,596
January 2014	9092	5130	3962	£6,685,888
April 2014	9063	5144	3919	£6,693,973

- 8.3 If the current caseload reduction continues CTS expenditure will fall, however outside influences (as discussed at paragraph 4.3 above) could influence ECC's CTS expenditure if more working age residents need help to meet their Council Tax liability & qualify for CTS under our current scheme criteria.
- 8.4 The table below shows an example of projected CTS expenditure for 2015/16 if the scheme remains unchanged. This projection is based on a 2% Council Tax increase with an inflation increase and uprating of applicable amounts and non-dependant deductions in the current scheme:

2015-16 Charge Estimate	ECC	DCC	Fire	Police	Total
2014-15 Band D	£132.42	£1,138.59	£76.89	£166.16	£1,514.06
2015-16 Increase	2.00%	2.00%	2.00%	2.00%	2.00%
2015-16 Band D Charge	£135.0684	£1,161.3618	£78.4278	£169.4832	£1,544.34
2015-16 Ratio	8.75%	75.20%	5.08%	10.97%	100%
2015-16 CTS	£598,466	£5,145,805	£347,501	£750,952	£6,842,725

- 8.5 Analysis of the Council Tax collection rate for 2013/14 shows that the introduction of the CTS scheme has not affected collection rates as first estimated. The estimated loss on collection before April 2013 was 1.02% (£578,836). The final additional loss on collection was 0.82% (£466,970). In addition to the introduction of the CTS scheme, the loss on collection could also be attributed to other external factors such as the technical Council Tax changes from April 2013 to empty/unoccupied/unfurnished category properties, empty/uninhabitable/major works category properties and collection activity.
- 8.6 The table below illustrates the current expenditure of the CTS scheme in context against all Council Tax discounts and exemptions for the 2013/14 year:

Council Tax Net Collectable Debit For 2013/14		£51,244,733	
Discount/Exemption type	2013/14 Cost	Effect on individual liability	ECC discretion to change
Single Occupier Discount	£5,947,587.66	25% discount	No discretion to change
Former Exemption A Uninhabitable/major repair	£55,890.67	50% charge for up to 12 months from 01.04.2013	Discretion to alter % charge over the 12 month period up to a maximum of 100%
Former Exemption C Empty & unfurnished	£240,595.95	100% discount applied for 2 months from 01.04.2013	Discretion to alter the period of reduction to nil
Second Homes	£70,892.51 (additional revenue raised) £6,203.09 to ECC (8.75%)	100% charge from 01.04.2013	Discretion to increase to a maximum 100%

			charge
Empty Homes Premium	£36,845.80 (additional revenue raised) £3,224.00 to ECC (8.75%)	150% premium charge over 2 years empty from 01.04.2013	Discretion to increase to a maximum 150% charge
Council Tax Support – Working age	£3,393,175	Variable CTS award based on means test	Discretion to alter scheme for full year period – full consultation needed with precepting authorities and the public
Council Tax Support - Pension age	£3,300,798	Variable CTS award based on means test	No discretion to change – prescribed national regulations
All other Council Tax discounts and exemptions	£6,506,080.05	Various % discount or full exemption	No discretion to change

- 8.7 Further options for the 2015/16 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 Universal Credit regulation<sup>6</sup> intention. Our local scheme intention would be to introduce a minimum number of hours multiplied by the national minimum wage with robust criteria and protections for the vulnerable. This will 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 could be between c.£180,000 to c.£200,000. The total saving to ECC could be between c.£15,750 to c.£17,492 when our 8.75% share of Council Tax collection is taken. A full equality impact assessment can be completed for members if they wish to pursue this option.
- 8.8 ii) Changes to the working age CTS scheme by way of adapting the current means test to simplify both the child personal allowance, disability premiums and to modify the excess income taper for earned and non-earned incomes. Reducing the applicable amount will generally reduce the eligibility to CTS and modification of the current excess income taper can give a more generous CTS entitlement to customers with earned income. This change will affect all current working age CTS claims including single, couples, lone parents and households with disability and/or caring responsibilities, this includes current 'passported' claims. There is a potential for wide ranging CTS budget savings depending on the reduction figure needed set against the multipliers used. A budget reduction figure will be preferable to focus the modelling options and a full equality impact assessment can be completed if members wish to pursue this option.
- 8.9 Other CTS budget reduction options that could be explored are:  
Introduce a Council Tax band restriction. This will yield limited budget savings estimated between c.£5,000 to c.£164,000 (ECCs share being between c.£437 to c.£14,350).
- 8.10 Reduce the current working age capital limit below £6k. This will produce limited CTS budget reduction within the current caseload.

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<sup>6</sup> S.I. 2013/376

- 8.11 Lower the current 80% liability restriction on working age CTS eligibility. This change could give CTS budget savings of between £77,000 and £194,000. ECC's share would be £6,740 to £16,975, depending on the further percentage reduction agreed by members.
- 8.12 The introduction of residency criteria as implemented in other local authorities (Tendering, Basildon & Sandwell). This local working age scheme criteria is currently subject to challenge by judicial review<sup>7</sup> under the Local Government Finance Act 1992 and anti-discrimination laws.

## **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 2015/16 and taking pro-active steps to help customers manage payments to ECC & reduce their debts to encourage financial independence.
- 9.2 Any 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 2014/15 CTS scheme carries a full equality impact assessment completed in October 2012 following the public consultation. The risk of legal challenge to the 2015/16 CTS scheme can be 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. 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 Changes to the CTS scheme for 2015/16 will need full public consultation, this will need to take place no later than 1 August 2014 to allow sufficient time for the consultation to run for a period of up to 12 weeks, results to be collated & reported to members for approval at an estimated cost of c.£20K. Consultation may yield strong public opinion that the scheme should not place any further financial burden on working age taxpayers; consultation costs may be lost against a scheme that stays the same. The risk of wasted consultation costs can be reduced by keeping the current CTS scheme rules
- 10.4 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 subject to financial impact. Any transitional protection will need to be agreed by members and calculated in the overall CTS budget. The risk of providing transitional protection and

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<sup>7</sup> (R(AA and others) v Sandwell Metropolitan Borough Council CO/633/2014)

increasing the 2015/16 CTS scheme costs can be reduced by keeping the current CTS scheme rules

- 10.5 Exeter City Council may be the only local authority in Devon to propose a change to the CTS scheme for 2015/16, this may have an adverse impact on reputation and publicity. Keeping the CTS scheme the same for 2015/16 will match the proposed actions of most other authorities in Devon known at present via DBOG. The risk of Exeter being the only local authority in Devon to change its scheme and potentially attracting adverse publicity can be reduced by keeping the current CTS scheme rules

**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 2014/15 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 2015/16 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 by the end of July 2014. Consultation of Exeter residents, stakeholders and our major precepting authorities will need to take place during August & September 2014 to allow collation of consultation feedback & a report to members by November for full council to ratify the 2015/16 scheme by December 2014.

**Assistant Director**

**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

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