

Supporting Information

Service / Policy:		Final Proposed Council Tax Support Scheme Changes	
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Version:	1.3	Date:	30 November 2016
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Section 1: Background Information

1. What is the proposal / issue?

The Council is required to review its Council Tax Support scheme annually and consider both the application of the scheme itself and to take into account the financial implications of its administration.

Based on forecasting that the Council's grant settlement will be reduced by over £20 million by 2020 it is considered reasonable that the Council look to review its spending in all areas. This includes a review of the Council's spending on the Council Tax Support scheme and designing a scheme that is more affordable.

Council Tax Support is a discount, affecting the taxbase in the same way as any other Council Tax discount. The taxbase forms part of the Financial Plan, so Council Tax Support must meet the required budgetary constraints.

There are also a number of other changes required to bring the scheme in line with the Housing Benefit changes announced in 2015 Summer Budget and Universal Credit legislation.

2. What is the current situation?

Background

In March 2012, the Welfare Reform Bill received Royal Assent and contained provisions for the abolition of Council Tax Benefit. In October 2012, the Local Government Finance Act became law and included the framework for localised Council Tax Reduction schemes which is known as the Council Tax Support scheme.

Statutorily, Local Authorities were required to develop and adopt a Localised Council Tax Support scheme by 31 January 2013 with implementation on 1 April 2013. To an extent, Councils had been given autonomy to develop schemes that met the needs of their local area but were also prescribed a framework, where pensioners are protected. However, Local Authorities would only receive 90% of the funding received in the previous year (2012/13). It was up to Local Authorities to decide whether to absorb the ten per cent cut in funding or pass this onto Council Tax Support recipients.

To enable this activity to be taken forward, the Government provided Local Authorities with a statutory framework that included the following:

- Local Authorities must have their new schemes agreed by 31st January 2013;
- Financial help with Council Tax will now be seen as a discount and not a benefit;
- There will be no change to the amount of help pension age claimants receive;
- Councils can decide the rules for their new schemes within a prescribed framework, but should consider the impact on the most vulnerable when designing their schemes;
- Guidance was given to encourage local authorities to ensure local schemes do not act as a disincentive to working.

The Government required that all pensioners are protected under the new scheme and the cut in funding should not apply to them. Working age households would therefore bear the full reduction in grant to cover future Council Tax Support scheme expenditure.

Torbay's Current Council Tax Support Scheme

Torbay's scheme was prepared as part of a Devon wide approach, where the overarching principle was to develop a cost neutral scheme. However, it was unlikely that each authority's scheme would be identical, or produce the same end result for residents across the county, because of the different local demographics and the constraints placed on the design of local schemes by the government.

Following a public consultation the current scheme was approved by members at full council on 6th December 2012.

For people of working age, the scheme has retained the characteristics of the old Council Tax Benefit scheme with the following changes:

- All awards are based on 75% of the Council Tax charge for the property, leaving households to pay a minimum of 25% of the Council Tax due;
- Second Adult Rebate for working age claimants is not available;
- No entitlement if working age claimants have savings over £6,000;
- Additional support for exceptional financial hardship is available through a hardship fund, that's funded by the Council.

The current scheme has remained unchanged since its introduction in 2013/14 apart from an additional clause to uprate personal allowances and non dependant deductions, on an annual basis.

Proposed Changes to Current Scheme

Following the changes to Housing Benefit regulations, announced in 2015 Summer Budget and Autumn Statement, Devon authorities agreed to review their schemes to align with these changes and Universal Credit legislation.

The review was undertaken by Devon's Revenue and Benefits managers during April

	<p>and May 2016, where eight changes to the current scheme were identified. Seven of these changes were taken forward as part of the Council's proposed scheme changes.</p> <p>The change involving the removal of the additional earnings disregard, which is an alignment to Universal Credit, was not considered due to the potential impact on work incentives as the scheme should support people into work.</p> <p>On 21 June 2016 a meeting was held with senior managers to discuss the alignment and other potential changes to the Council Tax Support scheme.</p> <p>A report detailing the proposed changes to the current scheme and draft impact assessment was considered by the Mayor's Executive on 26 July 2016.</p> <p>It was agreed that the public should be consulted on ten proposed changes to the current scheme.</p> <p>Following approval a draft scheme was published based on the proposed changes and the consultation commenced on 8 August 2016.</p> <p>The proposed changes that were consulted on are set out below;</p> <ol style="list-style-type: none"> 1. Limit maximum level of support to 55% of the Council Tax liability. 2. Restrict maximum level of support to a band C charge. 3. Savings limit cut to £3,000 from £6,000. 4. Remove Family Premium for all new working age applicants. 5. Restrict backdating to one month. 6. Minimum set income for self-employed after one year's trading. 7. Reduce temporary absence from Great Britain to four weeks. 8. Remove the work related activity component in the calculation of entitlement for new Employment and Support Allowance applicants. 9. Limit Council Tax Support calculation to a maximum of two children. 10. Remove Severe Disability Premium where another person is paid Universal Credit (Carers Element). <p>The potential savings that could be realised through each proposal can be found at Appendix 3 (Equality Impact Assessment, paragraph 5).</p> <p>The Council's consultation commenced on 8 August 2016 and ran for twelve weeks, until 31 October 2016.</p> <p>Following a consultation the scheme must be agreed by a full council meeting before 31st January in the year the changes take effect.</p>
<p>3.</p>	<p>Summary of Options</p> <p>Option One – No Change</p> <p>This would mean continuing with the current 2016/17 scheme, where working age households pay a minimum of 25% of the bill. It would not include any of the other proposed changes that would bring the scheme in line with the Housing Benefit changes or Universal Credit legislation.</p> <p>Personal Allowances and Premiums that are used to calculate Council Tax Support would continue to be updated, from 1 April 2017 in line with the prescribed pensioner</p>

	<p>scheme and national working age benefits, which are both set by the Government.</p> <p>Option Two – Scheme Change</p> <p>As the Council faces £20m cut in grant funding by 2020 there is a need for the Council to consider all options available in relation to delivering these savings.</p> <p>The Council has already considered alternative and innovative ways of delivering services to reduce the overall cost, without reducing the level of service. The level of savings being achieved in this area is limited and therefore a revised Council Tax Support scheme must be considered.</p> <p>The proposed alignment changes should also make it easier for applicants to understand the scheme, as there will be similar criteria in Housing Benefit and Universal Credit. Additionally, using the same criteria in the Council Tax Support scheme should make it more efficient and less costly to run.</p> <p>In light of the consultation responses and impact assessment the changes initially proposed have since been reviewed, for full details see section 11.</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>The council's Corporate Plan for 2015-2019 sets the direction and priorities for the years ahead. It is based on the following principles:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect • Reduce demand through prevention and innovation • Integrated and joined up approach <p>Aligning the scheme with the Housing Benefit changes and Universal Credit legislation ensures the scheme remains efficient and will not become overly complex for applicants.</p> <p>The scheme continues to support work incentives and avoids disincentives for those moving into work.</p> <p>Torbay's most vulnerable groups will continue to be protected as the proposed scheme will retain the current scheme characteristics.</p> <p>The continuation of the hardship scheme will also help cushion the effect of the changes and should mitigate any adverse impacts where possible.</p>
<p>5.</p>	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>The continuation of the hardship scheme will also help cushion the effect of the changes and should mitigate any adverse impacts where possible.</p> <p>The Council has a duty to consult on its Council Tax Support scheme and required by law to:</p> <ul style="list-style-type: none"> • consult any major precepting authority which has power to issue a precept to it; • publish a draft scheme in such manner as it thinks fit; • consult such other persons as it considers are likely to have an interest in the operation of the scheme.

	<p>In line with the statutory requirements, the major preceptors, Police and Fire authorities, have been fully engaged through the monthly Devon Revenue and Benefits manager group meetings.</p> <p>The draft scheme was placed on the Council's website and referred to as part of the full consultation.</p>
<p>6.</p>	<p>Consultation</p> <p>The consultation approach aimed to ensure all residents in Torbay, including voluntary and representative groups, had the opportunity to have their say about the proposed scheme changes.</p> <p>All other Devon authorities consulted on the alignment to the Housing Benefit changes and Universal Credit between June 2016 and September 2016.</p> <p>The Council's consultation commenced on 8 August 2016 and ran for twelve weeks, until 31 October 2016 and included the following:</p> <ul style="list-style-type: none"> • An on-line questionnaire was available on the Council's website from 8 August 2016 until 31 October 2016, for a period of twelve weeks. The website also included the draft scheme, detailing the proposed changes and a list frequently asked questions, which was updated on a regular basis. • Paper versions of the questionnaire were also available at the Council's public access points. • Individual letters, outlining the proposed changes and guidance on how to take part in the consultation were sent 8,387 working age households receiving Council Tax Support as on 16 August 2016. • The same number was also sent to randomly selected households that were not receiving Council Tax Support. • Over 15,000 leaflets informing households of the consultation and how to take part were enclosed with all Council Tax bills and Benefit notification letters printed from 1 September 2016 to 21 October 2016. • A press statement was issued by our Communications team on 8 August 2016. • Social media feeds were introduced to maintain general awareness of the consultation and to encourage people to take part. • Three public events were held across the bay, which was initially promoted by a press release, issued on 14 September. • A total of 48 stakeholders were informed of the consultation and invited by email to attend the events being held - these events were held during September and October. • The Barton and Watcombe Community Partnership were informed of the proposed changes at an evening event held in October. • A briefing session was also held at the Town Hall for members on 28

September, which was very well attended.

- Social landlords were informed of the consultation and the proposed scheme changes.

Consultation Results

At the close of the consultation, on 31 October 2016, the Council had received 1,667 paper responses and 288 on-line responses (1,961 in total).

Due to the complex nature of the welfare system a number of questions were quite technical, which could have discouraged people from completing the questionnaire. However, the number of completed questionnaires exceeded expectations and the results have provided sufficient information to inform the outcome of this process.

Headlines from the Consultation

Based on responses from households that receive and do not receive Council Tax Support;

- The majority of responses agreed to proposals 2-9.
- Responses were divided for Proposal 1, limit maximum of support to 55% from 75%.
- Only proposal 10 saw a majority of responses against the proposed change.
- The highest level of support was in agreement to the proposal 7, restrict the period a person can be absent from Great Britain and continue to receive Council Tax Support to four weeks.
- Apart from proposals 1 and 10, the lowest level of support was proposal 4, removal of the Family Premium for all new applicants.
- In terms of disability, 34% of respondents were disabled.
- In terms of gender, 57% of respondents were female.
- In terms of age, 69% of respondents were of working age (16-64).

The results of the survey can be found at Appendix 2.

Section 2: Implications

7. What are the financial and legal implications?

Financial Implications

As mentioned earlier in this report, funding for Council Tax Support was reduced by 10% in 2013/14. Subsequently the Settlement Funding Assessment has reduced by 23% in cash terms in the three years up to 2016/17.

The Council has been required to make significant financial savings in recent years and faces further cuts in funding and increasing financial risks over the coming years.

The proposed changes may also impact on the demand for the Council Tax Discretionary Exceptional Hardship Fund from April 2018. Currently there is £80,000 in this fund to assist households facing exceptional hardship.

Collection Rates

Reducing the amount of Council Tax Support that is paid results in the poorest residents having to pay more Council Tax at a time when other welfare changes are also impacting on their income levels. Increasing the amount to pay increases the risks to collection levels and may mean that some of the Council Tax that is raised is not collected promptly.

The collection rate for 2015/16 for all Council Tax payers was 96% and for those in receipt of Council Tax Support 67%.

At the time the draft scheme was developed it was forecast that the Council Tax collection rate for those in receipt of Council Tax Support would be 60%.

The collection rate for those in receipt of Council Tax Support is currently up by 0.50% when compared to the same period last year (42.59% 07/11/16 and 42.08% 09/11/15).

Legal Implications

The legislative framework for Council Tax Support schemes is contained within the Local Government Finance Act 2012.

The 2012 Act amends the 1992 Act by adding a new section 13A to state that Council Tax will be reduced to the extent set out in an authority's Council Tax Support scheme and to such further extent as the authority sees fit (new s13A(1)(c) replicating the existing provision for authorities to adopt specified additional classes).

Local authorities must make a Council Tax Support scheme setting out the reductions which are to apply in its area by persons or persons in classes consisting of persons whom the authority considers to be in financial need.

Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the Council Tax Support scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by 31st of January in the preceding year to the year which the changes

	<p>are to apply.</p> <p>The council must therefore consider whether the scheme requires revision or replacement and if so, consult with precepting authorities (Devon and Cornwall Police and Devon and Somerset Fire and Rescue Authority), publish a draft scheme and then consult with such persons as are likely to have an interest in the operation of that scheme prior to determining the scheme before 31st January. If any proposed revision is to reduce or remove a reduction to which a class of person is entitled, the revision must include such transitional provision as the Council sees fit.</p> <p>Case-law has determined the guiding principles for fair consultation, which we have followed. Regard was made to the rules around consultation laid out through the Supreme Court Ruling in the case of R (on the application of Moseley) v London Borough of Haringey (2014) and in particular, the need to set out alternative choices within the consultation.</p>
<p>8.</p>	<p>What are the risks?</p> <p>Failure to agree a scheme by 31 January 2017.</p> <p>The scheme could be open to challenge if it were considered that that we had not consulted properly with those who have an interest in the operation of the scheme.</p> <p>The continuing financial risk of further reductions in the overall settlement grant affecting the level of funding available when compared to expenditure.</p> <p>The majority of the options consulted upon are intended to align the scheme with the administration of Housing Benefit. Currently, the proposed change to limit Council Tax Support calculation to a maximum of two children has yet to be made within the Housing Benefit scheme.</p> <p>The changes could also create increased demand on the Discretionary Awards (Exceptional Hardship) fund, which is currently £80,000.</p>
<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>The procurement of services or provision of services is not relevant for this report.</p>
<p>10.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>There are now 259 (of 326) English authorities that require everyone to pay at least some Council Tax, regardless of income. The type of schemes differ greatly due to a number of different factors, that include; the local authorities' ability to afford or absorb the grant reduction, property values (numbers in various bands) and demographic information including benefits caseload data and the working/pension age caseload split.</p> <p>In general terms, the higher the pensioner caseload the greater the financial impact in the loss of grant on the remaining working age caseload.</p> <p>Across the country the current situation is as follows:</p>

	<ul style="list-style-type: none"> • Around 2.2 million households have been adversely affected by the change from the old Council Tax Benefit scheme. They will be required to pay an average £169 additional council tax in 2016/17 in comparison to what they would have received under Council Tax Benefit. This is up from £145 in the first year of Council Tax Support. • The total number of households affected has slightly reduced as the number claiming Council Tax Support overall has fallen, largely as a result of changing circumstances, particularly falling unemployment, although in some cases former claimants will have become ineligible due to local changes, such as the introduction of a minimum Council Tax Support award or a change in the savings limit. • Around 340,000 low income households will see their council tax payments increase substantially because they live in one of the 39 areas where a minimum payment is being increased or introduced. 70,000 of these live in the areas where they were introduced for the first time and will pay on average £171 more council tax in 2016/17 than they would if Council Tax Benefit was still in place. • The most common financial impact of Council Tax Support changes on households in 2013/14 was an additional £50 to £100 per year to pay in council tax than they would have under Council Tax Benefit. In 2016/17 it's around £150 to £200. <p>Appendix 5 provides details of the 2016/17 schemes in Devon.</p> <p>All Devon authorities have consulted on changes that will align their Council Tax Support schemes to the Housing Benefit changes and Universal Credit legislation.</p>
<p>11.</p>	<p>What are key findings from the consultation you have carried out?</p> <p>The Council has throughout its consideration of its options looked at the equalities impacts of any proposals that could be put forward. The Council's current scheme is designed to minimise as much as possible the impact on particular groups. Likewise, regard has been made to wider decisions across the authority that may also impact on similar groups of service users for example, to assess any cumulative impact which should be taken into account in reaching the decision.</p> <p>Following the conclusion of the consultation the comments received in respect of each proposal were collated and analysed. The overall impact of the proposed changes was considered. This analysis was then used to form a view on whether the existing proposal should proceed as described, be varied in the light of the consultation feedback and impacts or withdrawn.</p> <p>Please refer to the consultation results (Appendix 2) and Equality Impact Assessment (Appendix 3).</p> <p>In light of the consultation responses and impact assessment the proposed scheme changes for working age households have been reviewed and are now as follows;</p>

Proposal One – Limit maximum level of support to 55% from 75% of the Council Tax liability.

This change would result in over 8,000 working age households having a reduction in the amount awarded, with 400 no longer entitled.

The amount households occupying bands A to C would have to pay would increase by around £5 a week, impacting on all low income households.

This proposal has been changed to limit support by 5% and implemented over two financial years (2.5% per year).

From 1 April 2017

Limit maximum level of support to 72.5% from 75%

From 1 April 2018

Limit maximum level of support to 70% from 72.5%

The amount households occupying bands A to C would have to pay would increase by around £0.60 a week from April 17 and an increase by a similar amount from April 18.

This revised proposal has the potential to save £197,500 (2.5%) in 2017/18 and £395,000 (5%) from 2018/19.

Proposal Two - Restrict maximum level of support to a band C charge.

This change would affect 496 working age households, with the majority occupying band D (358) and E (107).

The amount households occupying bands D to E would have to pay would increase by an average of £1 a week.

It would have a disproportionate impact on lone parents and couples with children.

This proposal has been changed to restrict to a band D and deferred until 1 April 2018.

This change would affect 138 households. The amount households occupying bands E would have to pay would increase by £0.67 a week.

This revised proposal has the potential to save £38,000 from 2018/19

Proposal Three - Savings limit cut to £3,000 from £6,000.

This change would remove entitlement from 97 households that have over £3,000 in savings.

Removed from the proposed scheme changes

Proposal Four – Remove Family Premium for all new working age applicants.

This proposal will bring the Council Tax Support scheme in line with Housing Benefit and the Council Tax Support Prescribed scheme for pension aged households, which took effect from May 2016.

Remains in the proposed scheme changes

Proposal Five – Restrict backdating to one month

This proposal will bring the Council Tax Support scheme in line with Housing Benefit and the Council Tax Support Prescribed scheme for pension aged households, which took effect from April 2016.

Remains in the proposed scheme changes

Proposal Six – Minimum set income for self-employed after one year's trading

This proposal will bring the Council Tax Support scheme in line with Universal Credit legislation.

This change would affect 450 households with 67% either lone parents or couples with children. Nearly 75% of households with self-employed income earn less than £100 a week, which will increase to £252 a week after one year's trading.

This change will have a significant financial impact on these households.

Further information on self-employed households receiving Council Tax Support can be found at Appendix 3, pages 45 to 47.

Remains in the proposed scheme changes

Proposal Seven – Restrict period that a person can be absent from Great Britain and continue to receive support to four weeks.

This proposal will bring the Council Tax Support scheme in line with Housing Benefit.

Remains in the proposed scheme changes

Proposal Eight – Remove the Work Related Activity Component in the calculation of entitlement for new Employment and Support Allowance applicants.

This proposal will bring the Council Tax Support scheme in line with the proposed Housing Benefit changes, when approved by Central Government.

This change will affect 14 households that have a disability.

Removed from the proposed scheme changes

	<div data-bbox="316 188 1437 461" style="border: 1px solid black; padding: 5px;"> <p>Proposal Nine – Limit the calculation to a maximum of two children.</p> <p>This proposal will bring the Council Tax Support scheme in line with the proposed Housing Benefit changes and Tax Credit legislation, when approved by Central Government.</p> <p>Remains in the proposed scheme changes</p> </div> <div data-bbox="316 495 1437 898" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Proposal Ten – Remove entitlement to Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them.</p> <p>This proposal will bring the Council Tax Support scheme in line with Universal Credit legislation.</p> <p>Based on current data there are no households that could be affected by this proposal. However, it has the potential to impact on some carer’s and disabled households.</p> <p>Removed from the proposed scheme changes</p> </div> <p>In summary the final proposed changes are;</p> <p>From 1 April 2017:</p> <ul style="list-style-type: none"> • Reduction in the maximum level of support to 72.5% from 75% • Removal of the Family Premium for all new working age claims • Reduction of the period a claim can be backdated to one month • Minimum set income for self-employed earners after one year’s trading • Reduction of the period a person can be absent from Great Britain to four weeks • Limit the calculation to a maximum of two dependant children – this would only be introduced if the change goes ahead in the Housing Benefit scheme. <p>From 1 April 2018:</p> <ul style="list-style-type: none"> • Reduction in the maximum level of support to 70% from 72.5%; • Restrict the maximum level of Council Tax Support payable to equivalent of an average Band D property charge <p>Further information on the final proposed changes can be found at Appendix 4.</p>
<p>12.</p>	<p>Amendments to Proposal / Mitigating Actions</p> <p>The council’s Vulnerability Policy and Discretionary Reductions (Exceptional Hardship) Policy are mitigating features of the current Council Tax Support scheme, developed to manage any potential negative impacts mentioned in this report.</p>

	<p>These policies and fund will remain unchanged in 2017/18.</p>
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	<p>During the financial year 2017/18 both policies and the fund will be reviewed and any changes, if appropriate, will be introduced from 1 April 2018.</p>
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