



# Monitoring SSDC Council Tax Support Scheme

Report and Findings of the Overview and Scrutiny Task and  
Finish Group

November 2017

## Chair's Foreword

As part of Central Governments Welfare Reform Bill in 2012:

- Council Tax Benefit was abolished; the responsibility of helping low-income households pay their Council Tax was transferred to Billing Authorities. This was delivered with the creation of a local scheme to be known as Council Tax Support (CTS). The scheme has to protect pensioners as they were previously in 2012/13 but provided councils with autonomy to create a new scheme for working age households.
- Central Government reduced the grant to help low-income households pay their Council Tax by ten percent in 2013.

At this time the Overview and Scrutiny Committee recognised the significance and potential impact this could have on the residents of South Somerset and commenced a Task and Finish exercise that worked in parallel with officers to develop a local scheme.

The Task and Finish group conducted a very thorough review and produced a report and recommendations<sup>1</sup> detailing:

- Specific recommendations that would form the basis of the new localised scheme
- Potential risks and mitigation measures
- Monitoring arrangements

Since the scheme was implemented in April 2013 Central Government have revised their funding arrangements. The grant that SSDC received to help low income households pay their Council Tax ceased to exist. From 2015/16 onwards the funding has been received as part of the Revenue Support Grant; no figure is prescribed or ring-fenced specifically for this purpose.

The Overview and Scrutiny Committee have commissioned a Task and Finish review each year since the introduction of Council Tax Support (CTS). The Task and Finish group conduct specific monitoring work to ensure the scheme continues to be effective and balances the needs of support recipients and all South Somerset Council Tax payers. This report summarises the monitoring activity and work conducted since the last Task and Finish report in December 2016 and details recommendations for the Council Tax Support scheme for 2018/19.

I would like to take this opportunity to thank the officers who supported us on this review for their on-going commitment and positive approach, helping the Task and Finish group to make informed decisions and produce this report.

*Sue Steele*

Overview and Scrutiny Committee Chair

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## **Task and Finish Group Membership**

Councillor Sue Steele - Chair of Task and Finish Group  
Councillor Carol Goodall  
Councillor David Norris  
Councillor Sue Osborne  
Councillor Rob Stickland

All members worked collectively with the support of Jo Gale – Overview and Scrutiny Manager and the Project Officer Group:

Ian Potter – Revenues and Benefits Manager  
Tamsin Gold – Benefits Team Leader  
Mandy Stewart – Benefits Team Leader

## **The Work of the Task and Finish Group**

The Task and Finish group met on three occasions to carry out monitoring work to ascertain if the scheme is effective - achieving the original ambitions of the group and consider options to reduce scheme costs, improve administration efficiency.

The ambitions of the original Task and Finish group were:

- Ensure the scheme is fair and has the minimum impact that is achievable, given the criteria set out by the Government, for all residents of South Somerset, not just those who are currently receiving Council Tax Benefit
- Ensure it has adequate measures to provide stability to the recipients of Council Tax Support.
- Ensure the process is timely, well-evidenced, takes account of members views, any consultation and minimises risks to SSDC
- Ensure the new scheme is accessible and not too complex

The Task and Finish group in collaboration with officers agreed the following set of principles to underpin the original scheme:

- Everyone should contribute something towards the cost of local services through Council Tax
- All income should be included to ensure the scheme is fair
- Greater account should be taken of the total income of a household
- Provide incentives to encourage people into work or increase their hours
- Provide protection for those who may become vulnerable under the scheme 'Unable to afford basic shelter, food, water, heating and lighting and essential transport'
- Not penalise those that have already saved for the future (to a greater extent than the Council tax Benefit scheme) This was modified in 2015 to reflect the disregarded threshold of Housing benefit and to be fairer to Tax Payers who are not in receipt of Council Tax Support)

The Task and Finish group stated in their last report

(<http://modgov.southsomerset.gov.uk/documents/g1829/Public%20reports%20pack%2005th-Jan-2017%2009.30%20District%20Executive.pdf?T=10>) page 56 that it would not be

possible to reduce the cost of the scheme whilst still achieving the above mentioned objectives and principles. As there was no pressure to find additional savings in terms of the cost of the scheme this year, the group agreed the ambitions and principles were still relevant and used these criteria when considering all information, data and proposals for amendments to the scheme with a mind to reduce administration costs only.

## **Monitoring**

This chapter of the report summarises the monitoring activities the Task and Finish group undertook to establish the effectiveness of the current scheme and associated processes.

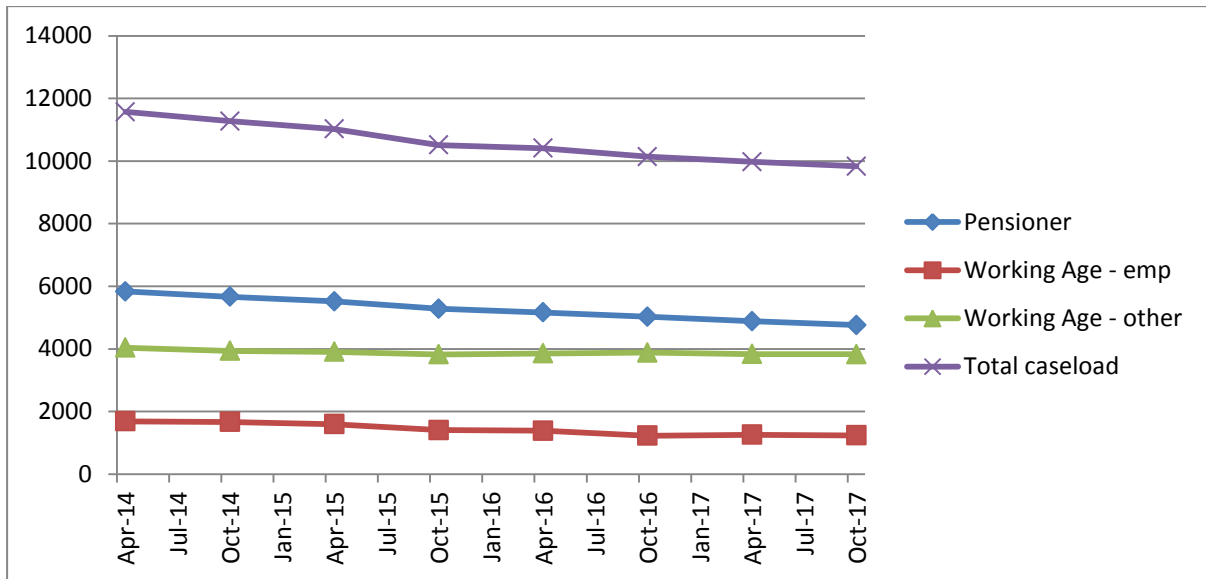
The group reviewed:

- The number of Council Tax Support recipients
- The Council Tax collection rate
- Cost of the scheme
- Council Tax Support Discretionary Hardship fund
- Council Tax Arrears where Council Tax Support is in payment
- Administration time to process claims. The decrease in the administration grant for Council Tax Support determined by DCLG has reduced; the estimated impact for the next financial year is £9,000.00
- Other Local Authority schemes Risk of external changes on the cost of the scheme
- Progress on recommendations detailed in December 2016 Task and Finish report

Equalities was considered throughout the entire review process

## **Number of Council Tax Support Recipients**

The group reviewed the number of households in receipt of Council Tax Support with a breakdown of pensioner and working-age to assess the financial risk of the scheme to SSDC. (The greater the number of households in receipt of Council Tax Support, the greater the cost to SSDC. As pensionable age households are protected under the old Council Tax Benefit rules this carries a higher cost and therefore a greater risk of which SSDC has no control). The numbers and types of household in receipt of support since the Council tax Support scheme was introduced are presented in the chart below:



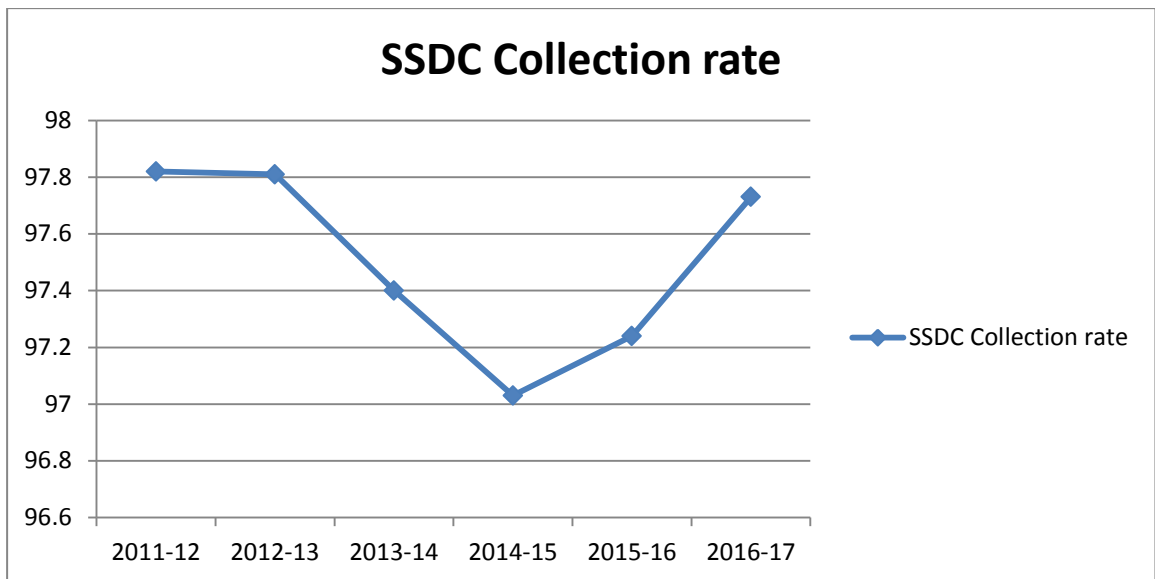
This gradual decline in the number of recipients of Working Age – employed is very reassuring. The Benefits Officers have attributed this to households either moving into work or increasing their hours; consequently there is less dependence on SSDC to help pay their Council Tax.

The number of Working Age – other group recipients (other group represents those who are unemployed or unable to work) has had a slight increase over the course of the last year. The overall total of Working Age households in receipt of Council Tax Support has decreased by over 1000 since the start of the scheme in April 2013.

### Council Tax Collection rate

In the original Task and Finish report members recommended that Council Tax collection rates were monitored. (The collection rate is the proportion of all net collectable council tax that has been collected; this shows how much of a gap there is between what SSDC needs to collect and the amount actually collected). This was to assess if the Council has adopted appropriate methods to successfully collect Council Tax from new Council Tax payers and to prevent the authority from any financial risk; the monitoring is carried out every quarter and reported in the Medium Term Financial Plan Quarterly monitoring.

The chart below shows the annual collection rate since 2010 (3 years prior to the introduction of Council Tax Support) for all Council Tax as a percentage and includes the projected collection rate for this financial year. This is not specific for Council Tax Support Cases.



There was a small decrease in the collection rate when Council Tax Support was introduced; however there were other factors affecting it:

1. Removal of the second home discount
2. Introduction of an Empty Homes Premium – 150% of annual charge
3. £1m more to collect resulting from move from Council Tax Benefit to Council Tax Support.
4. Restricted recovery in year 1 of the Council Tax Support scheme 2013/14 was offered

Factors affecting year 2

5. Changes to bailiff fee structure from 1 April 2014 resulting in a change to work practices
6. Restricted recovery in 2014/15 due to resource issues and an IT system migration
7. Single person discount review in 2014/15 resulting in the removal of 1173 discounts and an increase of £603K of Council Tax to collect

Each of these factors contributed to the decrease in the collection rate which was in line with Council Tax Collection rates across England. The average collection rates across England for comparison purposes were:

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Average Collection rate for England<sup>2</sup></b>	<b>97.3</b>	<b>97.4</b>	<b>97.0</b>	<b>97.0</b>	<b>97.1</b>	<b>97.2</b>
<b>SSDC Collection rate</b>	<b>97.82</b>	<b>97.81</b>	<b>97.4</b>	<b>97.03</b>	<b>97.24</b>	<b>97.73</b>

The SSDC collection rate for this year is anticipated to be broadly in line with last year.

### Cost of the scheme

The cost of the Council Tax scheme since it has been in operation is detailed below:

2013/14 £9.359 million

<sup>2</sup> Department of Communities and Local Government

2014/15 £8.882 million

2015/16 £8.219 million

2016/17 £8.496 million

2017/18 £8.466 million (cost at end of Oct 2017)

The values are as at 31 March each year apart from current year. Each year the cost of the scheme falls throughout the year so 2017/18 is likely to finish the year at a lower cost than at 31 Oct 2017.

In 2017/18 all the major preceptors increased their charges and the Adult Social Care charge increased too.

To date the scheme has been affordable whilst maintaining the objectives in the Council Plan and the ambitions of the Task and Finish group. The reducing costs and the improving collection rate are both reassuring and positive; however it is very difficult to identify how much of this is due to good practice and how much is down to the improvement in the economic climate. The risk is always the potential downturn in the local economy and this is not possible to mitigate, it is just a case of adopting policy and working practices that achieve the best collection rate whilst protecting those who are financially vulnerable.

### **Discretionary Hardship**

The original Task and Finish report recommended, creating a hardship fund for those people who are financially vulnerable and that awards are monitored in terms of identifying trends.

<b>Year</b>	<b>No. of requests</b>	<b>Awarded</b>	<b>Not Awarded</b>	<b>Total paid</b>
13/14	171	121	50	11292.82
14/15	152	115	37	11581.32
15/16	163	136	27	14551.14
16/17	152	128	22	16540.95
17/18 at 29/11/17	93	79	14	13839.42

The Task and Finish group reviewed the analysis that had been conducted by the Benefit Officers of the applications made to the Hardship Fund.

The group carefully considered the circumstances of the applicants to identify if there were any trends, in terms of the numbers of people in the household and what type of income they were in receipt of to identify any trends. No trends were identified and the group were satisfied that the relatively low numbers of awards and the disparity to who they were awarded gave no indication the scheme was the cause of any financial vulnerability.

To date there have been very few applications compared to the numbers of households that are in arrears with their Council Tax. However having undertaken some analysis this year of cases in arrears there was only a very small proportion of cases that could get some help through Council Tax Support and Discretionary Hardship that hadn't already applied. SSDC working practices have already introduced best practice recommendations, and continue to learn from other authorities and consider guidance and evidence from external sources.

Members have requested monitoring of the hardship rewards continue. Monitoring this fund is the best way to identify real financial vulnerability, potential issues with the scheme and potential Council Tax collection problems.

### **Monitoring Council Tax Arrears**

Council Tax Arrears arise when a resident falls behind with their Council Tax payments. The way that Councils pursue missed payments or incomplete payment varies. The standard procedure is for a Council to send two reminders about unpaid Council Tax before embarking on further collection and enforcement strategies. This may include asking for the entire year's liability to be paid in one instalment, making an application to the magistrate's court for a liability order, an attachment of earning or benefits (where the Council collects Council Tax from the household's income or benefits that the Council itself administers). They may proceed with enforcement measures, such as debt collection by Collection Agents.

The group specifically conducted analysis of cases where Council Tax Support is in payment and the Council Tax account is in arrears. The group reviewed information on randomly selected cases and concluded there was no evidence to suggest that the arrears were as a result of any patterns in household or income type and therefore could not be attributed to any disproportional impact of the SSDC Council Tax Support scheme. There is evidence that the recovery actions are effective in encouraging people to pay and sign up to payment plans.

### **Costs of collecting Council Tax**

Whilst it is important that SSDC collect Council Tax to pay for local services, we have to be sure that we do not inadvertently spend too much Tax Payers money trying to do so, therefore making the scheme inefficient.

The SSDC collection costs with effect from April 2017 are:

- Up to and including the cost of issuing a summons - the cost of collection from 2<sup>nd</sup> reminder stage onwards is currently £50.00.
- The cost of the Liability Order is £20.00
- The total charge is £70.00 – This is still far less than other areas. The Charge is passed to the Tax payer to recover the additional costs the authority has incurred; this is fair to all tax payers.

### **Administration time to process claims**

This section of this report details the work to date of the Benefits Team and planned future work to reduce Administration costs.

To date the Benefits Team have:

- Removed the need for Universal Credit (UC) recipients to complete a separate application for Council Tax Support, this has been removed this year. Instead the Benefits team use the notifications received from the UC Service Centre.
- Provided an on-line application form, approximately 30% of claim forms completed now use this method. This form will continue to be used by applicants who are not



claiming UC, including customers who have reached the qualifying age for state pension.

Removing the need for UC recipients to make a separate claim and reducing the number of paper application forms has reduced costs across the following areas

1. Purchase of paper forms
  2. Postage costs where a paper form is issue
  3. Staff time in opening post and scanning paper forms
  4. Staff time on front desks handling paper forms and queries
  5. Staff time in indexing as applications and income updates for UC CTS cases can be auto indexed
- Worked with their software supplier (Northgate Public Services) to introduce new functionality that has enabled most of the processing for new claims and changes in circumstances for recipients of Universal Credit to be automated, removing a significant amount (estimated at 80-90%) of the current manual claim data entry for new claims and a proportion of data entry on changes (dependent on the type of change)

Administration savings have and will continue to be made by:

1. Removing the need to manually download information and attach it to the customer's electronic record
2. Removing the claim set up data entry for CTS applications by Universal Credit recipients – officer will still need to check the actual value of UC used in the entitlement calculation
3. Reducing some data entry on changes of circumstance notifications for CTS applications by Universal Credit recipients - officer will still need to check the actual value of UC used in the entitlement calculation
4. Implementing functionality to auto-populate a claim from our on-line form will enable us to make savings as there will be a reduction in staff time in entering data into the CTS software from the on-line application form

Planned future work to reduce Administration costs:

### **E-billing / e-notifications**

All Council Tax bills are currently printed and despatched by an external supplier once a week, while Housing Benefit and Council Tax Support letters are printed and despatched daily by the Revenues and Benefits team. Once we have a customer portal in place (to be developed as part of Transformation Project) we will be able to “post” bills and letters to the portal and send a text message or e-mail to the customer to let them know that they have new correspondence from SSDC.

This will enable savings to be made in the following areas:

1. Printing and stationary costs

2. Postage costs
3. Staff time in packing letters throughout the year (new year letters/bills are despatched by external company)

It's worth noting it will take time for customers to move from receiving paper notifications to signing up for the customer portal, so not all of the savings can be realised from the outset.

The extent of auto-population, auto-processing and digital notifications that could be realised is substantial and limited only by the degree of success in moving customers from paper to digital application forms.

### **SMS – Text message reminders**

This is being introduced in December 2017 - Where a customer has provided a mobile phone number as a method of contact a text message will be sent a few days ahead of when the statutory reminder notice will be sent. Where a tax payer makes their late payment within a couple of days of the reminder text they will prevent the statutory reminder notice from being sent. The statutory recovery process can lead to the loss of the right to pay by instalments, a court summons and action by an Enforcement Officer (commonly referred to as a bailiff) and additional costs to the debtor. An informal reminder notice could prevent many cases from entering the statutory recovery process. This will reduce costs to SSDC, prevent the tax payer from incurring further costs and fees consequently providing a better outcome for both parties.

### **Other Local Authority Schemes**

#### **Discount Based**

A small number of authorities have moved away from the means tested (assessing income against needs level) approach and have introduced a discount based scheme that uses a system of income bands to decide what level of Council Tax Support a Council Tax Payer should be awarded.

For Example (This is a small sample only)

<b>Household</b>	<b>Weekly Income Band</b>	<b>Discount</b>
Single Person	£0.00 - £99.99	90%
Single Person	£100.00 - £199.99	85%
Single Person	£200.00 - £299.99	80%
Single Person	£300.00 - £349.99	70%
Single Person with 1 Child	£0.00 - £149.99	90%
Single Person with 1 Child	£150.00 - £249.99	85%
Single Person with 1 Child	£250.00 - £349.99	80%

This scheme is made up of a set of income bands with an income range, and a percentage discount is assigned to each income band. A non-dependant deduction is applied after the relevant discount percentage has been determined. It is still necessary to calculate the claimant and partner's weekly income in order to decide which income band they fall in.

The key benefit of the scheme is that where a person's weekly income changes and remains within an income band it is not necessary to amend their CTS award and issue a new bill. However an assessment of their new income level is still required to do this.

This type of scheme will result in a large number of winners and losers at the point of change.

The group closely examined the impact this sort of scheme could have on SSDC current Council Tax Support recipients and it was felt the impact for some could cause people to become financially vulnerable. Whilst the group felt this could be mitigated against, the group were anxious about the number and size of the 'Cliff Edges' and the potential damaging impact this could have on the stability of the recipients and consequently the amount of Council Tax paid and the Council's reputation.

The group agreed, there were too many unknowns with this type of scheme at present, and thought it best to wait for evidence to come forward from those Councils who have moved to the discount approach, specifically with regard to equalities, Impact, Council Tax arrears and cost of collection.

It's worth mentioning that some authorities are phasing in changes by operating two Working Age schemes, one for those in receipt of Universal Credit and one for those who are not. This is to take advantage of automation for Universal Credit cases. The Group considered this approach but felt operating in effect three schemes could be difficult for both support recipients and staff. Also for staff the timing of implementing this could be difficult when the structure of service delivery will be going through Transformation. The Group felt the risks around equalities performance and reputation was too great to consider for the 2018/19 CTS scheme.

### **Fixed Periods**

To reduce the administration costs and the frequency of changes that a customer has to manage some authorities have introduced fixed periods, so all changes in a given period, usually 3 or 6 months are processed at once.

There are advantages and disadvantages to this approach:

Advantages - Less processing work for staff to manage, fewer Council Tax Support notifications letters and Council Tax Bills to print and post out.

Disadvantages – People who have had a detrimental change to their income could be in a situation where they are unable to pay their Council Tax and fall into arrears by the time the fixed period change date comes around the person has already automatically received notifications of arrears that could cause stress and generate enquires.

If a person has had a positive change to their income they will become liable to pay more Council Tax (they would receive less Council Tax Support) in the situation where all changes are processed on bulk, once every 6 months for example from 1 April – 30 September, this would only leave 5 months of the financial year for instalments to be paid and potentially catch up any arrears. This could present a risk of needing to roll debt to a future year; this is

referred to as Stacking Arrears. Stacking Arrears in itself can cause additional administration time having to be spent making financial agreements to clear multiple years' debt.

It is also worth mentioning that nationally about 39 per cent of food bank users were awaiting the outcome of a benefit application<sup>3</sup>, and therefore delays in processing reductions in income can have much wider implications and therefore should be considered carefully.

The group concluded again that there were risks to adopting Risk Periods and felt it best to analyse the impact and learn from other authorities that have opted to pursue this before looking to potentially introduce it as part of the SSDC CTS scheme.

### **Progress on recommendations detailed in December 2016 Task and Finish report**

Revenue Officers are exploring alternative policies, working practices and interventions learning from other Local Authorities who are achieving the top collection rates. This work will continue as part of the service redesign work element of the Transformation programme and will also include the work recommended previously to conduct an exercise to identify those households where stacking arrears is occurring to ensure the scheme is effective and sustainable and assess the different approaches that could be taken to collection and the provision of money management and or budgeting advice.

In response to the recommendation to explore targeted promotion of the CTS scheme, the Revenues Team conducted a spot check analysis of cases that were subject to recovery action, in the overwhelming majority of cases where it was appropriate Council Tax Support and Discretionary Hardship had been awarded. The group were content with the awareness and accessibility of the scheme and pleased there was further planned work for the scheme to be promoted on Council Tax bills and intentions of further promotion on the customer portal.

The introduction of SMS reminder text messages will reduce the cost of collection, demand on resources and prevent the debtor from incurring additional costs and fees.

Last year the Task and Finish group recommend providing a summary front sheet for Council Tax Support notification letters that detailed the sum owed/received and how to proceed. The Group were pleased that some progress had been made – there is now a summary of award information provided in a simple format by e-mail when a new claim has been processed. The group are keen this is rolled out also for those who do not have an e-mail address and looking forward to seeing further progress once this area will have been explored through both the service redesign and channel shift aspects of the Transformation Programme.

No specific work has been done to explore a referral system from external agencies to identify those who could be considered financially vulnerable, however there is evidence to demonstrate that all local community groups, charities and agencies know how and who to contact with regard to customers who are in arrears and need help to manage/address the situation.

Previously it was recommended that Benefits Officers explore the potential of creating a consultative group who can meet to discuss the Council Tax Support scheme. It is intended that this will be considered as part of the Customer insight and engagement work of the Transformation Programme.

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<sup>3</sup> University of Oxford and Trussell Trust Report on Foodbanks

## **Summary of Task and Finish Group's Recommendations**

The Task and Finish group have considered external evidence, best practice, impact analysis, equalities and risks throughout this review process and recommend that

- Bereavement Support payments are disregarded in line with their treatment in Housing Benefit

That annual uprating's are implemented as usual:

- Personal allowances and premiums are uprated in line with those for Housing Benefit;
- Non-dependent deductions are uprated in line with the annual percentage increase in Council Tax;
- Non-dependent income bands are increased by the same percentage as those in the Prescribed Requirements relating to pensioners

The Task and Finish group who review the scheme for 2019/20 further consider feedback from those who have introduced:

- Fixed periods moving forward – benefit on not altering instalment plans and reduction in number of customer notices- help mitigate upset and reduce avoidable contact/response.
- An income banded scheme with specific focus on vulnerability, collection rates and stacking arrears

If changes to the scheme are agreed, letters must be sent to all Council Tax Support recipients' that will be affected as soon as possible. To give them time to prepare for managing the increase in their Council Tax Bill.

## **Cumulative Impact**

The group has considered the cumulative impact of the above recommended measures and those in the existing scheme by reviewing case studies, should amendments to the recommendations be proposed additional analysis may be required.

## **Future monitoring**

The Task and Finish group request monitoring of:

- Discretionary Hardship rewards continue
- Arrears for cases where Council Tax Support is being given, this is to best manage the scheme and have an effective and efficient approach to collection and recovery
- Costs of collecting Council Tax - It is important to ensure the balance is correct, whilst we must ensure we collect Council Tax to pay for local services, we have to be sure that we do not inadvertently spend too much Tax Payers money trying to do so, therefore making the scheme inefficient
- Other Local Authority schemes and National Best Practice to consider if the South Somerset scheme could be improved upon.

The group have also requested that the Revenues officers consider:

- Just about managing: Four million more people living on inadequate incomes in modern Britain -Research for the independent Joseph Rowntree Foundation (JRF) which illustrates how different kinds of household are faring, against the Minimum Income Standard (MIS) and potentially use evidence to support decision making for those in receipt of CTS who request around Hardship.

### **Future Risks**

- The rollout of Universal Credit – this could increase the numbers who have frequent changes to their Council Tax Support award and could increase the amount of people who receive Council Tax Support.
- The risk is always the potential downturn in the local economy and this is not possible to mitigate, it is just a case of adopting policy and working practices that achieve the best collection rate whilst protecting those who are financially vulnerable.