

Council Tax Support Scheme 2019/20

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
Director: Martin Woods, Director – Service Delivery
Service Manager: Ian Potter, Lead Specialist – Vulnerable People, Service Delivery
Lead Officer: Ian Potter, Lead Specialist – Vulnerable People, Service Delivery
Contact Details: ian.potter@southsomerset.gov.uk or 01935 362690

Purpose of the Report

1. To request that the District Executive recommend the proposed amendments to the Council Tax Support scheme for the 2019/20 financial year to Full Council for approval.

Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 10 January 2019.

Public Interest

3. From April 2013 the Government changed the way in which financial help is given to working age residents to pay their Council Tax. The national Council Tax Benefit scheme was replaced with a local Council Tax Support scheme for working age people to help with the costs of Council Tax for those with low incomes. For those residents who have reached the qualifying age for a state pension continue to have support assessed under a national scheme. The Council is required to review and set a Council Tax Support scheme for each financial year.
4. In setting the scheme each year the Council has to balance the needs of those who need help towards paying their Council Tax with the Council Tax payers who help to pay for the scheme. The Council also looks to see if there are any ways the scheme can be simplified to make it easier for customers and reduce the cost of administering the scheme. The administration grant provided by the Department of Communities and Local Government to help pay for the administration of the scheme reduces each year.

Recommendations

5. That District Executive is requested to recommend to Council:
 - (a) the introduction of a minimum award value of £0.50 a week in line with Housing Benefit
 - (b) the introduction of a £5 a week tolerance on income increases and decreases before it affects a Council Tax Support award
 - (c) that personal allowances and premiums are uprated in line with those for Housing Benefit;
 - (d) that non-dependent deductions are uprated in line with the annual percentage increase in Council Tax;
 - (e) that the non-dependent income bands are increased by the same percentage as those applied to the national Council Tax Support scheme for pensioners;

- (f) that the hardship scheme budget be set at £30,000 for the 2019/20 financial year;
- (g) to note the recommendations of the Scrutiny Task and Finish Group attached at Appendix 1;
- (h) to note the scheme has been amended to reflect changes to the Prescribed Requirements;
- (i) that the 2019/20 Council Tax Support Scheme at Appendix 2 (to follow) is adopted;
- (j) to note that the proposed Council Tax Support Scheme has been reflected within the overall Council Tax Base.

Background

6. The South Somerset Council Tax Support scheme (CTS) was introduced on 1 April 2013 and has now been running for almost six years. Councils are required to review and set their CTS scheme each financial year. Applications to the CTS hardship scheme are monitored, along with the Council Tax collection rate and reported to members each quarter.
7. We carried out an extensive consultation process prior to the introduction of CTS in April 2013 and the scheme proposals were carefully and fully considered by the Scrutiny Task and Finish Group. Each year we have carried out further consultation and some additional changes have been made to the scheme. It was the view of the Scrutiny and Overview Task and Finish Group that all previously adopted proposals be retained.
8. The SSDC Council Tax Support scheme states that certain elements of the needs assessment may be uprated each financial year but does not specify the level of that uprating.

The Scrutiny Task and Finish Group originally considered what would be the most appropriate method of uprating certain figures used in calculating CTS awards and recommended the following:

- That while Housing Benefit (HB) still exists it would be appropriate for the CTS applicable amount figures (basic need allowance) to mirror those in the HB scheme
- That non-dependent deductions are uprated in line with the annual percentage increase in Council Tax
- That the non-dependent income bands are increased by the same percentage as those in the national CTS scheme for pensioners

These methods were adopted in the original scheme and have been retained.

Equality Impact Assessment

9. Councils have a legal responsibility to have due regard to the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 when setting a Council Tax Support scheme. There has been a High Court ruling that there was insufficient evidence that members making the decision to implement a CTS scheme had given due regard to the Equality Impact Assessment (EIA) that had been attached to the council report in order that they could discharge their statutory obligation.

It is important that members have due regard to the PSED when making their decision on the various scheme proposals.

There are no equalities issues associated with recommendations (a) and (b) which are the only changes to the scheme.

Council Tax Support scheme 2019/20 (Year 7)

Proposal 1 – Introduce a minimum award of £0.50

10. In Housing Benefit the minimum weekly award is £0.50. Where weekly entitlement is in the range £0.01 to £0.49 no award is made.
11. Currently in the CTS scheme awards are made where entitlement is as little as £0.01 a week which leads to a total award of £0.52 for the financial year.
12. The proposal is to align the minimum award for CTS with the minimum award of Housing Benefit. This will remove the need for both the customer and the council to maintain their claim where entitlement is below £0.50 a week.
13. The council received 150 consultation responses for this proposal with 76% of respondents supporting it. Approximately 16% of respondents stated that they were in receipt of Council Tax Support.

2. What do you think about the above proposal?			
		Response Percent	Response Total
1	Strongly Agree	30.67%	46
2	Agree	46.00%	69
3	Disagree	15.33%	23
4	Strongly Disagree	8.00%	12

Proposal 2 – Introduce a £5.00 a week income change tolerance

14. Currently an increase or decrease of any value in a person's income will result in their Council Tax Support being reassessed, a new bill being issued and a change to their monthly instalments. If a customer has regular small changes to their income (e.g. in earnings) they could receive a new bill every month. This is disruptive for the customer and makes it difficult for them to budget.
15. The £5.00 income change tolerance will reduce the number of CTS recalculations which result in a new bill being issued and more stability for the customer's instalment payments. It will also reduce administration costs for the council.
16. The council received 149 consultation responses for this proposal with 90% of respondents supporting it. Approximately 16% of respondents stated that they were in receipt of Council Tax Support.

1. What do you think about the above proposal?			
		Response Percent	Response Total

1. What do you think about the above proposal?				
			Response Percent	Response Total
1	Strongly Agree		40.94%	61
2	Agree		49.66%	74
3	Disagree		6.04%	9
4	Strongly Disagree		3.36%	5

Consultation

17. The Task and Finish Group reviewed the results of the consultation along with the comments made by respondents and were content to recommend that both proposals be adopted.

18. The full set of consultation results are set out in Appendix B

The 15% minimum payment

19. The SSDC CTS scheme requires all working age recipients of CTS to pay a minimum of 15% Council Tax. This level was set for the first year of the scheme.

The Scrutiny and Overview Task and Finish Group reviewed the minimum payment level when considering the 2017/18 and some research carried out to determine the possible impact of increasing it.

20. The evidence showed that those councils who had increased the minimum payment level had experienced a decline in their Council Tax collection rates and an increase in the level of Council Tax arrears. This leads to an increase in both the risk of bad debt and in resource demand for the recovery and enforcement of those debts. This risk is further heightened by Welfare Reforms that are impacting on the working age group, particularly Universal Credit. This has not changed and it was therefore determined that it would be counter-productive to increase the minimum payment level for 2019/20.

21. Consideration for reducing the minimum payment was considered when setting the 2018/19 scheme and was rejected as there was no evidence to suggest that there were widespread affordability issues across the district and such a small increase would be unlikely to make a material difference. There is no new evidence to suggest a change to these conclusions.

Cost of CTS scheme

Effect of caseload

22. The number of recipients of CTS had fallen consistently year on year in both the working age and pensioner groups until 2017/18. This has the effect of reducing the overall cost of the scheme. Details of the caseload reduction since the introduction of CTS are shown in the following table.

Financial year	Caseload count at beginning of year	Caseload count at end of year	Reduction in caseload
2013/14	11925	11568	357
2014/15	11568	11023	545
2015/16	11023	10411	612

2016/17	10411	9997	434
2017/18	9997	9939	48
2018/19	9939	9880 (30/11/18)	59

23. The scale of caseload reduction from 2017/18 onwards is smaller. With effect from 1 June 2017 we removed the requirement for recipients of Universal Credit to make a separate claim for Council Tax Support. It is likely that this has contributed to the smaller reduction in caseload as fewer people are missing out on Council Tax Support.
24. It has been identified that since the beginning of the financial year the average weekly award of CTS has fallen by 2.4% for employed working age cases. This suggests there has been a small improvement in income levels for this group. The weekly award for other working age and pensioner cases are broadly unchanged.

Effect of increases in Council Tax

25. The cost of the scheme will increase where SSDC and other preceptors put up their share of the Council Tax.

Legislation Changes – Prescribed requirements

26. At the time of writing we are awaiting details of any changes to the prescribed requirements – these are elements of the scheme that are set by central government. Confirmation of any such changes will be sent to members along with a revised version of the scheme document once announced by government.

Hardship Scheme

27. A Hardship Scheme was set up as a safety net for households who could demonstrate they could not afford to pay their Council Tax contribution following the introduction of the SSDC Council Tax Support Scheme. The level of demand in 2018/19 suggests that a Hardship Scheme budget of £30,000 for 2019/20 should be sufficient. At the end of November 2018 we had allocated £12,295 with 71 of the 90 applications being successful. This spend is monitored monthly and reported to members each quarter.

Council Tax Collection Rate

28. It was anticipated that the in-year Council Tax collection rate would fall as a result of the introduction of the CTS scheme in April 2013. There were also a number of changes to Council Tax discounts and exemptions introduced from April 2013 which impacted on the in-year collection rate.

Financial Year	Collection rate	Change on previous year
2012/13	97.80%	
2013/14	97.40%	-0.40%
2014/15	96.88%	-0.58%
2015/16	97.24%	+0.36%
2016/17	97.73%	+0.49%
2017/18	97.80%	+0.07%

The in-year collection rate fell in 2013/14 and again in 2014/15. However, collection performance improved in 2015/16, 2016/17 and 2017/18 returning to pre CTS levels.

29. At the end of October 2018 the collection rate was 0.4% lower than October 2017. However, the number of taxpayers paying over the maximum number of instalments has risen to 15844, an increase of 2550 in the last twelve months. This is 20% higher than a year ago and 54% higher than two years ago. This increase makes accurate in-year collection rate comparisons, and end of year outturn predictions more difficult with higher levels of Council Tax payment expected during February and March 2019 than in the same period this year.

Risks

30. The continued risk is that demand could rise and the current reductions we are seeing in the number of recipients reverses with a downturn in the economy. There is also a risk that reductions in other welfare support might result in an increase in entitlement to Council Tax Support. We will take any such changes into account when considering the Council Tax Support scheme for 2020/21 and beyond. It should be noted that the Task and Finish Group have previously raised concerns about the ability to make further reductions in the level of Council Tax Support in future years as the burden is placed solely on the working age recipients while the Government continues to protect pensioners.
31. Universal Credit (UC) awards are updated monthly where there is a change in the recipient's income. This happens on a regular basis for many UC recipients. The consequence of this is that as our current CTS scheme requires we recalculate their CTS entitlement this leads to frequent revised Council Tax bills being issued. This frequent recalculation can lead to fewer instalments being available to the CTS recipient which makes budgeting more difficult and risks late or non-payment. The measure to introduce a £5 income change tolerance will go some way to addressing this issue. A number of councils have already, or are introducing income banded schemes which gives a much wider variation in income change before it effects a recalculation of CTS. Although the managed migration of current Housing Benefit cases to Universal Credit has been put back to 2020, the natural migration (where a person has a relevant change in their circumstances) continues. As more CTS recipients move on to Universal Credit the benefit to the customer of an income banded scheme increases. This is something that perhaps ought to be considered for the future.

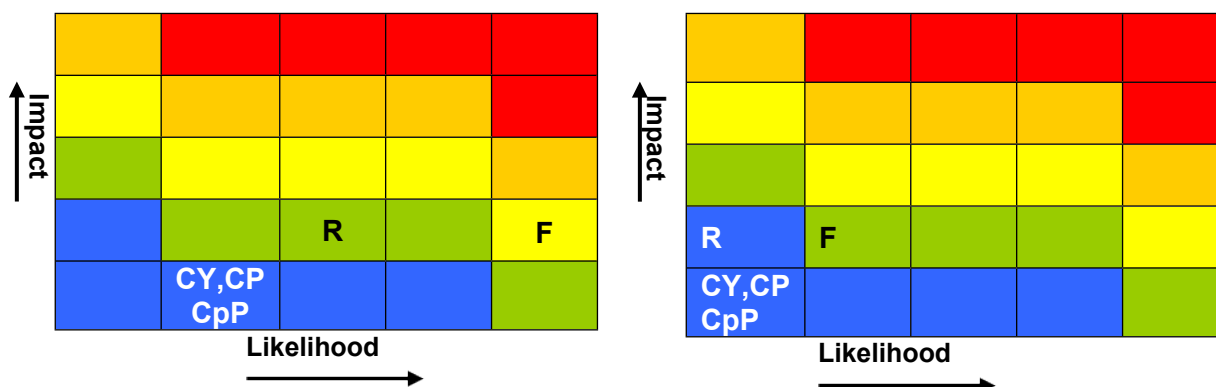
Financial Implications

32. If members agree the recommendations set out in this report there will be minimal financial implications associated with this report since the £5 income tolerance applies both to changes that would reduce and increase entitlement and over a period it is anticipated that this will be broadly cost neutral. The risk is that costs will ultimately be affected by any increase in council tax charges in 2019/20. We have made assumptions in this respect, and any differences between our assumptions and the preceptors' ultimate tax setting decisions will affect the surplus or deficit on the Collection Fund.

Risk Matrix

Risk Profile before officer recommendations

Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

33. Health and Communities - Support residents through national benefit changes including universal credit.

Carbon Emissions and Climate Change Implications

34. None associated with this report.

Equality and Diversity Implications

35. None associated with this report - The current EIA is attached at appendix 3 for information purposes.

Privacy Impact Assessment

36. None associated with this report.

Background Papers

37. The following background papers can be viewed on the council's website www.southsomerset.gov.uk

- Report to District Executive – January 2018 Item 7
- Report to District Executive – January 2017 - Item 8
- Report to District Executive – January 2016 - Item 6
- Report to District Executive – January 2015 - Item 8
- Report to District Executive – December 2013 - Item 10
- Report to District Executive – January 2013 – item 8