



South Somerset District Council

Appendix 1

Monitoring SSDC Council Tax Support Scheme

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

December 2019

The Overview and Scrutiny Committee has 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 2018.

The original Task and Finish report and December 2018 report are available at

<https://modgov.southsomerset.gov.uk/Data/South%20Somerset%20District%20Council/20130117/Agenda/7%20Appendix%201%20-%20Report%20and%20Findings%20of%20the%20Overview%20and%20Scrutiny%20Task%20and%20Finish%20Group%2017-01-2013.pdf>

<https://modgov.southsomerset.gov.uk/documents/g2364/Public%20reports%20pack%2017th-Jan-2019%2019.30%20South%20Somerset%20District%20Council.pdf?T=10>

Task and finish group members:

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Joanna Gale – Scrutiny Specialist
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Members met and worked individually to consider the actions in response to the previous task and finish group's recommendations, and the outcomes of the monitoring activity shown in appendix 1 to assess the success and sustainability of the present Council Tax Support (CTS) Scheme.

The Task and Finish group concluded that the scheme was still successful in achieving the original ambitions and that there was no evidence to suggest the scheme disadvantaged any particular group, or combination of household makeup, in terms of qualification of support. However, evidence did suggest that the scheme might need to alter to try to provide more stability to recipients due to external pressures:

- The changes in employment contracts and in particular zero hours contracts
- More CTS recipients in receipt of Universal Credit and the frequency of changes to the level of support which adversely impacts on the number of instalments available and the amount to be paid each month. (Universal Credit awards frequently change due to the real time link for earnings with HM Revenues & Customs).

With more frequent changes in an individual's income, altering the amount of Council Tax Support given and consequently the sum of Council Tax to be collected, the bill payer can be

offered fewer instalments, making it more difficult to pay¹ and this can result in Council Tax being carried forward to the following year, causing debt to accumulate.

With more changes to income and consequently the Council Tax Support award, there is much greater staff administration time to manage these cases.

Currently there is little flexibility in the scheme to cope with these frequent fluctuations. Last year a £5.00 tolerance was introduced (so if a person's income changed by less than £5.00 per week no change to CTS would take place, if a second change took place altering the income by an additional sum that made the difference from the original award greater than £5.00 then the CTS would be revised).

Increasingly now, Councils are looking to move, or are moving to an income related banded scheme for CTS to provide stability for customers, and to reduce the administration costs. It is expected that more than 100 councils will have such a scheme from April 2020. Last year the Task and Finish group considered this but recommended reviewing the impact of others banded schemes and cross checking arrears, and in particular stacking arrears (arrears accumulating over multiple years).

Members considered the format and structure of other authority banded schemes, and if it was viable and appropriate, to consider a change of scheme for 2020. Members concluded that there was not enough readily available data to make an informed decision about the potential transfer to a banded scheme. They felt it would therefore be better to conduct a detailed impact analysis - comparing the current scheme with forms of banded scheme, to assess outcomes for the customer, administration costs for the Council and risk of financial vulnerability by reviewing real cases over at least one year long period using a variety of households and income types.

Members agreed this was too big a piece of work to conduct for the 2020 scheme given the amount of work officers are already managing and the tight timescales, so have requested this is done in preparation for the 2021 scheme.

The group concluded that a new principle needs to be included to underpin the scheme moving forward for 2021 – The scheme needs to provide stability to help recipients better manage their circumstances (household budgets) in response to external changes and minimise their risk of falling into debt.

¹ We are required by law to provide a minimum notice period before collecting an instalment because of this customers can have fewer instalments to pay their Council Tax, for example if a customer has chosen to pay their Council Tax on the first of each and a change of income is processed on the 25th of the month altering the award of CTS and the amount of the next Council Tax instalment, the next instalment on the first of the month would not be taken, consequently the Council Tax liability will have to be split out across fewer instalments, making each instalment higher in value.

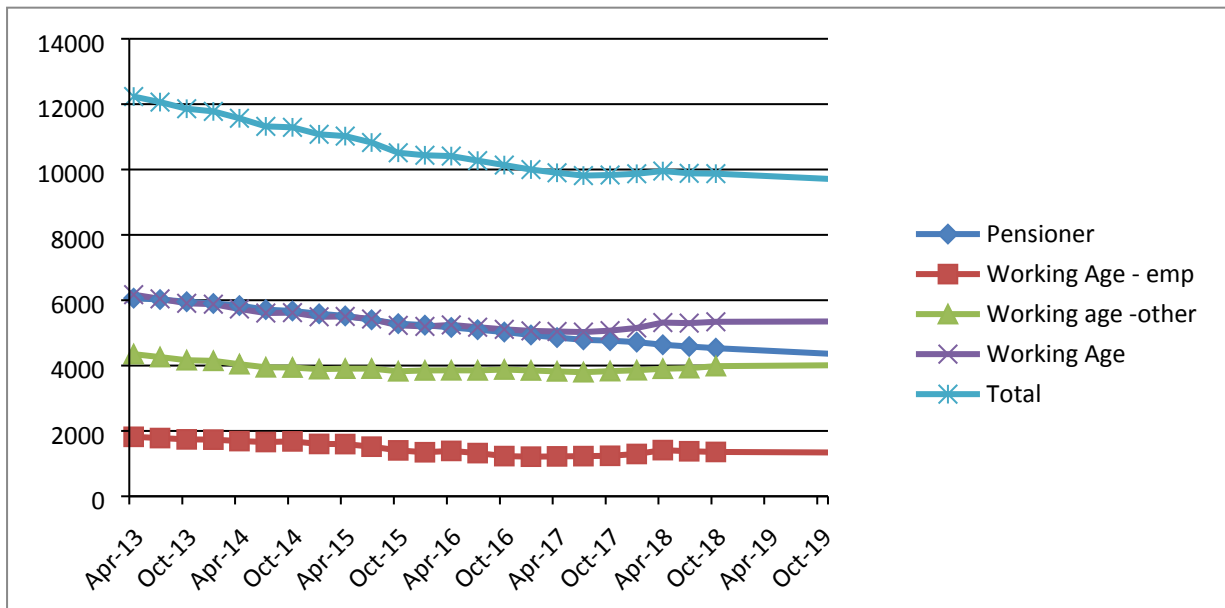
Recommendations

- a) A new principle is included to underpin the scheme moving forward for 2021 – The scheme needs to provide stability to help recipients better manage their circumstances (household budgets) in response to external changes and minimise their risk of falling into debt. (The full set of principles is included at Appendix 2).
- b) In preparation for the 2021/22 scheme, officers conduct a detailed impact analysis comparing the current scheme with forms of banded scheme by examining sample cases over a year long period that cover a wide sample of differing types of households and income type to assess:
 - Accessibility of the schemes
 - Outcomes for the customers overall awards, variance in support amounts, frequency of instalment changes
 - Administration costs for the council
 - Impact of risk of financial vulnerability in Council Tax Support recipients and potential new approaches to mitigation.
- c) For consideration to be given to a corporate approach/policy to managing customer debt. It was evident in some case studies that arrangements with customers had to be repeatedly revised due to changes, but also due to SSDC wanting to collect other debts from the same individual. Members felt a single point of contact would provide a more efficient and customer friendly service.
- d) The Hardship scheme budget is reviewed, to assess if it will be adequate to accommodate the anticipated increase in people applying as a result of wider promotion, and the caseload no longer decreasing as a result of increased take up in Council Tax Support due to the roll out and promotion of Universal Credit.
- e) That for the 2020/21 scheme annual upratings 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
- f) The Task and Finish group who review the scheme for 2021/22 seek advice from an expert on successful schemes across the country and 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.
 - Changed to an income banded scheme with specific focus on the customer experience, vulnerability, collection rates and stacking arrears.
 - Still award or have reverted to awarding 100% CTS in some circumstances.

Monitoring

Number of CTS Recipients

Number of Council Tax Support recipients from the start of scheme through to November 2019



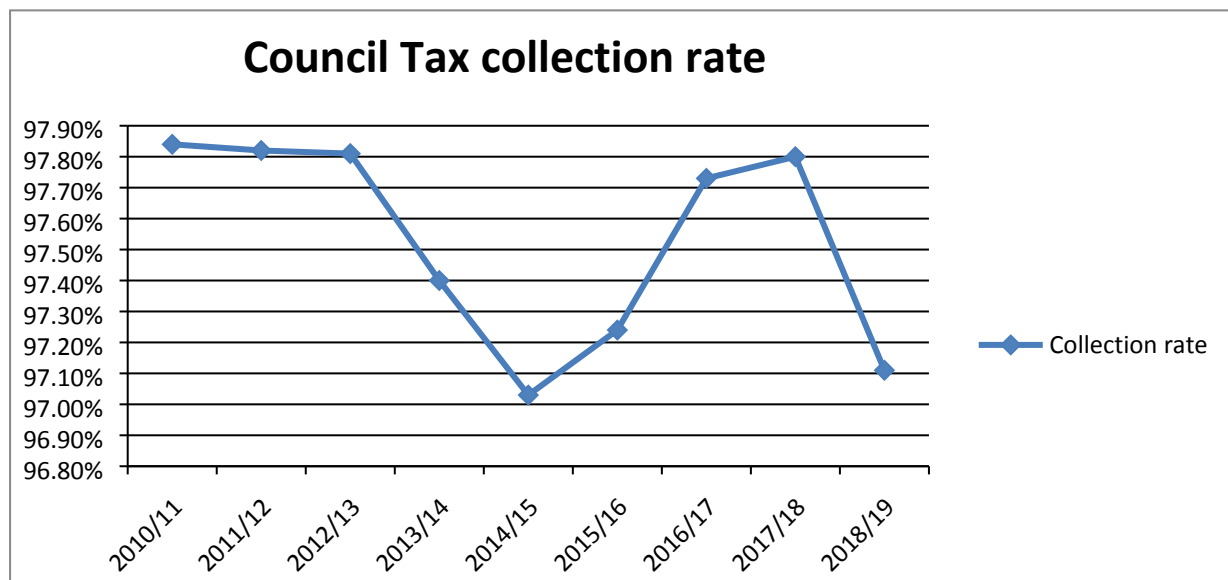
The above chart shows an overall slight decrease in CTS recipients over the last financial year. However, there has been a slight increase in working age recipients and this is likely to have been a consequence of the council accepting an application for CTS via the Department of Work and Pensions as part of the roll out of Universal Credit (UC). UC has been rolled out across South Somerset since October 2016 for new recipients of six benefits that moved to be included in UC. People have naturally migrated to receive UC and consequently apply for CTS either by a change of benefit award or change of address. At present approximately 60 cases a month transfer to UC through natural migration.

Please note the full UC roll out - Managed Migration, for people who are in receipt of the qualifying benefits but do not change address or have a change of benefit will take place in 2021 after a test migration in Harrogate.

With the full UC roll out there is a chance that numbers of CTS recipients could increase, however the scheme is already currently promoted via council tax bills and recovery notices, via partner organisations and charities and of course on SSSDC website.

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 Task and Finish group were disappointed in the collection rate, but having discussed all the evidence and case examples with officers, concluded there was no evidence to suggest a correlation in the drop in collection rate with the Council Tax Scheme and in particular the changes to the scheme last year which were:

1. A Minimum Award of £0.50 being introduced.
2. Introduction of a tolerance for small changes in income of up to £5.00, which prevented a change to entitlement of up to £1.00 due to the income taper in the CTS means test of 20%.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Average Collection rate for England²	97.3	97.4	97.0	97.0	97.1	97.2	97.1	97.0
SSDC Collection rate	97.82	97.81	97.4	97.03	97.24	97.73	97.8	97.11

² Department of Communities and Local Government

The cost of the Council Tax scheme since it has been in operation

2013/14 £9.359 million

2014/15 £8.882 million

2015/16 £8.219 million

2016/17 £8.496 million

2017/18 £8.417 million

2018/19 £8.773 million

At the time of writing this report we have 385 outstanding CTS application forms so it is difficult to predict what the cost of the scheme will be at the end of the financial year.

To date the scheme has been affordable whilst maintaining the objectives in the Council Plan and the ambitions of the Task and Finish group. With the reduction in the collection rate and changing external pressures, we always have to be reviewing the approach to this support and learning from good practice. The Task and Finish group intend to seek the advice of an external expert next year who can advise on lessons learned and best practice.

Council Tax Arrears where Council Tax support is awarded

Council Tax arrears arise when a resident falls behind with their Council Tax payments. The approach councils take to pursue missed payments or incomplete payment varies. The statutory procedure is for a council to send up to 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 (a "Final Notice"), before making an application to the magistrate's court for a liability order. An order permits the council to use a range of measures such as, an attachment of earnings or benefits (where the council collects Council Tax direct from the household's wages or DWP benefits). They may proceed also with enforcement measures, such as debt collection by Enforcement Agents.

The total amount of Council Tax arrears on accounts where CTS has been awarded is £1,252,459.71. This figure is for arrears accrued since the CTS scheme was introduced in April 2013.

We know from the evidence of reviewing cases no specific types of household are more adversely affected than others, however what we have yet to determine is if there is any trend to those who have fallen into arrears. The Task and Finish group request officer resource is committed to investigating if any particular group(s) have fallen into council tax arrears that are also in receipt of CTS. If there are to identify if there are any new measures that could be introduced to make the CTS scheme more fair and robust or if additional debt advice measures could be introduced to try to prevent arrears accumulating.

Having undertaken analysis of some accounts in arrears it was identified that there are some accounts in arrears where Council Tax Support is awarded where the customer has never paid any council tax instalments. The Task and Finish members request that officers contact the individuals with these accounts to identify if there is a pattern to these non-payers to see if there is an issue of education, process or financial vulnerability and report the findings to the next Task and Finish group.

Discretionary Hardship

The original Task and Finish report recommended, creating a hardship fund for those people who are financially vulnerable (unable to afford a basic standard of living shelter, heat, light, water and food) and that awards are monitored in terms of identifying trends.

Year	No. of requests	Awarded	Not Awarded	Total paid £
13/14	171	121	50	11,292.82
14/15	152	115	37	11,581.32
15/16	163	136	27	14,551.14
16/17	152	128	22	16,540.95
17/17	107	84	23	14,211.00
18/19	123	98	25	14,362.37
19/20 (Nov 2019)	81	71	10	12,684.88

The Task and Finish group requested officers conduct a review of the applications made to the Hardship Fund, in order to identify if there were any trends, in terms of the numbers and age of people in the household, and the type of income they were in receipt of, to identify any trends. No trends were identified, 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 last year of cases in arrears, it was determined 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. These cases are currently under review to see what support can be given. The Task and Finish group have requested the officer team consider:

- If there are any new approaches to further promote the Discretionary Hardship relief.
- If the current £30,000 annual budget is adequate for 2020/21 given that we still have a high number of cases to assess for Discretionary Hardship (as per the quarterly performance report), the high percentage of cases that have been awarded this year and the possibility that we may have more new people becoming aware of CTS through Universal Credit.

Members have requested monitoring of the hardship rewards continue. Monitoring this fund is the best internal way to identify real financial vulnerability, potential issues arising because of external changes and subsequent Council Tax collection problems

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 2019 are:

- Up to and including the cost of issuing a summons - the cost of collection from 2nd reminder stage onwards is currently £50.00.
- The cost of the Liability Order is £21.75.
- The total charge is £71.75

The Task and Finish group are concerned that the actual costings of officer time have not been reviewed in the last year, and suggest this is done as part of the data to help inform the 2021/22 scheme in terms of proportional effort and costs, while recognising this is less straight forward in the new working model.

Previous Task and finish recommendations still in progress:

Recommendation	Progress
<p>Providing a summary front sheet for Council Tax Support notification letters that detailed the sum owed/received and how to proceed</p> <p>The letters have now been switched off as they are not a legal requirement. The award information is on the council tax bill.</p>	<p><i>Some of the information that would be provided on a summary sheet is available through customer's personal online accounts</i></p>
<p>Benefits Officers explore the potential of creating a consultative group who can meet to discuss the Council Tax Support scheme</p>	<p><i>It is intended that this will be considered as part of the Customer insight and engagement work of the Transformation Programme</i></p>

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 Task and Finish group request officers:

- Contact individuals who are in arrears with their Council Tax, have been awarded Council Tax Support and have not paid any Council Tax instalments to identify if there is a pattern to these non-payers to see if there is an issue of education, process or financial vulnerability and report the findings to the next task and finish group.
- Assess the costs of collection of Council Tax arrears to ensure we have the assessment of affordability and financial vulnerability correct for the CTS scheme, and that appropriate sums of taxpayers money is being spent collecting unpaid council tax.
- Commit time to investigate if any particular group(s) that have fallen into council tax arrears that are also in receipt of CTS. If there are, to identify if there are any new measures that could be introduced to make the CTS scheme more fair and robust, or if additional debt advice measures could be introduced to try to prevent arrears accumulating.

Future Risks

The risk is always a downturn in the local economy and this is not possible to mitigate. It is a case of adopting a policy and working practices, that achieve the best collection rate, whilst protecting those who are financially vulnerable.

There are some groups suggesting CTS is unfair and too much of a postcode lottery and suggesting a national benefit or discount scheme should be reintroduced.

Food costs increase because of Brexit, making more people financially vulnerable. We will continue to publicise and monitor the hardship scheme, we work with numerous local agencies offering debt advice so we will be able to detect early any impact. We will signpost customers to receive the best support and advise whilst considering the scheme and affordability for our customers, we may need to revise the scheme awards and increase the hardship fund.

Appendix 2

The Task and Finish group principles for the SSDC Council Tax Support 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)