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| **REPORT TO** | **ON** |
| **CABINET** | 21 November 2018 |

 |  |
| **TITLE** | **PORTFOLIO** | **REPORT OF** |
| Council Tax Support Scheme | Finance | Temporary Director of Customer and Digital |
| Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)Is this report on the **Statutory Cabinet Forward Plan**?Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? Is this report confidential? | **Yes****Yes** **Yes****No** |

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# PURPOSE OF THE REPORT

1.1 The purpose of the report is to update Cabinet on the current situation with our Council Tax

Support Scheme following the recent Government Budget announcements and to seek their agreement to how we ought to proceed with this scheme including a review of the exceptional hardship funds.

1.2 As documented previously the Cabinets intention has always been to consult and implement a new scheme commencing April 2019. Work to progress this matter has continued and the details of a proposed alternative scheme are set out in the report. However the recent Government announcement on changes to Universal Credit (UC) mean that we now need to review the potential impact of these changes in relation to any local scheme that might be implemented. Given the timing of the announcement it now seems sensible to undertake an impact assessment and remodelling of the current/alternative scheme options. As a consequence the report as written asks Members to note progress made to date, the timeline for concluding the above work and bringing it back to Council to consider. The Cabinet recognises the need to undertake a review and acknowledges that more could be done to support those in greatest need and therefore will also amend the local hardship scheme.

# 2. PORTFOLIO RECOMMENDATIONS

2.1 That the Cabinet notes the recent Government budget announcements and supports the requirement to carry out further modelling impact assessments and report to Budget Council in February 2019.

2.2 That the Cabinet supports the proposal to review the hardship schemes and proactively promote said schemes as outlined in this report.

# 3. REASONS FOR THE DECISION

3.1 The adoption of a revised Council Tax Support scheme has been agreed as a priority in the 5 year Corporate Plan (2018-23).

3.2 To ensure that any future new or revised scheme is intended to address the potential administrative burden of the rollout of Universal Credit and satisfy the statutory requirement within the localisation of Council Tax Support that consultation must take place with major preceptors and residents.

# 4. CORPORATE PRIORITIES

 4.1 The report relates to the following corporate priorities:

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| --- | --- |
| Excellence and Financial Sustainability |  |
| Health and Wellbeing |  |
| Place |  |

 **5**. **BACKGROUND TO THE REPORT**

5.1Following the various meetings to discuss this matter in council and cabinet work has progressed to move to a position where the council was able to go out to consultation on a revised CTS scheme. Details of which are contained in this report. However there have been some significant changes announced in the Chancellors Budget on 29th October 2018 that significantly affect the propositions put forward in this report.

5.2 Council Tax Support (CTS) is a discount designed to help low-income households pay their Council Tax bill. Until 2012/13, it was a centrally-administered benefit, known as Council Tax Benefit (CTB). Administration of the benefit was devolved to local authorities in April 2013, together with a reduction in Government funding. This was part of a package of wider reforms to the welfare system intended to improve the incentives to work and ensure resources are used more effectively, so reducing unemployment and ending a culture of benefit dependency. Local authorities are required by law to maintain the levels of support offered to pensioner households, meaning that a pensioner household can receive CTS equal to 100% of their council tax liability. However, local authorities are able to amend their local scheme for working-age households. In the majority of local authorities, this has meant that the reductions in government funding when CTB was localised were passed on to working-age households, and many people saw their level of CTS entitlement reduce. In financial year 2013/14 SRBC introduced a ‘minimum payment’ which for 2018/19 is £3.50/week, therefore every working age household in receipt of CTS must pay at least this amount of their council tax bill.

5.3 The collection rates for SRBC have not been adversely affected by the Council Tax Support scheme. The table below illustrates that collection rates both prior to and post April 2013 have remained consistently high.

|  |  |
| --- | --- |
| Financial Year | Collection Rate % |
| 2011/12 | 97.4 |
| 2012/13 | 97.5 |
| 2013/14 | 97.4 |
| 2014/15 | 97.4 |
| 2015/16 | 97.2 |
| 2016/17 | 97.4 |
| 2017/18 | 97.5 |

5.4 At the Full Council meeting on 28th February 2018, members expressed a desire for changes to be made to the working age scheme. There was, and still is, concern that the current £3.50 per week minimum payment is unaffordable for some. As a result, a forecast cost (income loss) of £73,000per annum for SRBC was added to the Medium Term Financial Strategy Forecasts from 2019/20.

5.5 A report was presented to Cabinet on the 12th September 2018 updating Cabinet on the work to date on the CTS scheme including summary information on modelling options and a recommendation to undertake the consultation during financial year 2019/20 with any revised scheme implemented in financial year 2020/21. Following a Call-in of said report, at the Scrutiny Committee meeting held on 27th September 2018, concerns were raised over the process for making amendments to the CTS scheme and clarification was provided by the S151 officer that any new or amended scheme would need the approval of Council.

**6. PROPOSALS**

6.1 In July 2018, residents started to migrate onto Universal Credit (UC), as and when changes in circumstances are reported. The roll-out of full service UC will impact the CTS scheme. The nature of UC means that a CTS scheme will be administratively burdensome, create additional costs, potentially reduce collection rates and confuse residents. A UC award can change on a monthly basis. This will require reassessment and new billing information on a monthly basis in response even if the change to income is minimal. This will have a direct impact on work levels, staff time, postage etc. UC is still in the process of being rolled out so there is limited benchmarking data available. Anecdotal information suggests that 40% of CTS UC full service claimants currently receive between 8 and 12 bills a year. UC processing information is sent to the Local Authority every day by the Department for Work and Pensions (DWP). The changing picture due to UC can be illustrated by the increase in volumes of UC records being sent by the DWP as shown below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Month/year | Quantity | Month/year | Quantity | % increase |
| August 2017 | 266 | August 2018 | 574 | 116% |
| September 2017 | 282 | September 2018 | 787 | 179% |
| October 2017 | 311 | October 2018 (to 25.10.18) | 895 | 188% |

The council has mitigated this risk by providing comprehensive training to our gateway and revenues and benefits service, and there has been a Member Learning Hour, to provide assurance to members

6.2 On the 29th October 2018 the Chancellor delivered the 2018 Budget. Within the announcement the Chancellor indicated a number of changes to UC. These included changes to the amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn, the Work Allowance will be increased by £1,000 from April 2019. This means that 2.4 million households will keep an extra £630 of income each year. The Government also announced an extensive package of extra support for claimants as they make the transition to Universal Credit. The Secretary of State for Social Security has announced a further delay in the migration of Housing Benefit to Universal Credit. Under the process of managed migration, the roll-out will be slow and measured. It will start not in January 2019 but later in the year. For a further year the Government will be learning as they go with a small amount of people (estimated 10,000) to ensure that the system is right. The roll-out will then increase from 2020 onwards. It will be slow and measured, and will adapt and change as it goes. The government was intending to begin moving almost four million people onto UC from January 2019, initially in small batches. Larger scale movements were due to start next July 2019. Now though, initial testing has been pushed back to next summer, and large-scale movement won't begin until November 2020 at the earliest.

6.3 To offer additional support to those who find themselves in hardship the authority is able to offer a number of additional measures.

* Discretionary Housing Payments (DHP’s): The Discretionary Housing Payment can provide assistance with rent costs. DHP’s are funded by Central Government. DHP’s are for Housing Benefit and the Housing costs element of Universal Credit.
* Exceptional Hardship Payments (EHP’s): The Exceptional Hardship Payments, are designed to assist with Council Tax Support shortfall. EHP’s are not funded by Central Government, they are linked to the collection fund so costs are met by SRBC and preceptors.
* Personal Budgeting Support: Personal Budgeting Support offered advice on how to manage day to day budgeting.

Take up for the EHP’s is low and there is a requirement to raise awareness and increase take up for those who may need it. In 2017/18 £2840.74 was awarded in Exceptional Hardship Payments. As at October 2018 we have currently awarded £1928.84. However it should be noted that some provision for council tax shortfalls are taken into account when considering Discretionary Housing Payments.

6.4 In light of the above, the proposal is to adopt a more proactive approach to the publicising off all schemes and increase support to strengthen the scheme currently known as the Exceptional Hardship Fund to ensure that all CTS claimants are proactively targeted and effectively passported onto a rebranded local scheme. A variety of mechanisms will be used to achieve this including utilising digital platforms, setting up online messages on our website which would also be publicised via our social media channels. Letters will also be prepared and sent to all CTS claimants.

**7. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION**

7.1 In relation to the adoption of a new or revised scheme Public Consultation is a statutory requirement within the localisation of Council Tax Support. Any consultation must take place with major preceptors and residents. This consultation exercise is to be carried out once scheme options have been identified.

Government guidance is that consultation with residents and any other interested persons should preferably be for a 12 week period. Major preceptors must also be part of this consultation exercise.

The LGFA 1992 (amended by 2012 Act) states for **new Council Tax Support schemes** the following:

**Preparation of a scheme**

3(1) Before making a scheme, the authority must (in the following order)

(a) **consult any major precepting authority**which has power to issue a precept to it,

(b) publish a draft scheme in such manner as it thinks fit, and

(c) **consult such other persons** as it considers are likely to have an interest in the operation of the scheme.

(2)The fact that this paragraph was not in force when any step described in sub-paragraph (1) was taken is to be disregarded in determining whether there has been compliance with that sub-paragraph.

(3)Having made a scheme, the authority must publish it in such manner as the authority thinks fit.

It also states that for a replacement scheme

**Revisions to and replacement of scheme**

5(1) For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.

(2)The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect.

(3)The Secretary of State may by order amend sub-paragraph [(2)](http://www.legislation.gov.uk/ukpga/2012/17/schedule/4/enacted#p00233) by substituting a different date.

(4)If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.

(5)**Paragraph**[**3**](http://www.legislation.gov.uk/ukpga/2012/17/schedule/4/enacted#p00231)**applies to an authority when revising a scheme as it applies to an authority when making a scheme.**

**(6)References in this Part to a scheme include a replacement scheme.**

The LGA and Local Government Lawyer have published various advice papers on the subject of consultation, including a consultation checklist. The LGA does advise that consultation may not always be necessary e.g. where consultee comments will not add to the process, or a decision has been made and consultation would gain nothing further. As the South Ribble scheme has remained unchanged since April 2013, there has been no further annual consultation carried out since the original consultation exercise of 2012.

**8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 Modelling work has been carried out on retaining the current scheme, and alternative schemes. The advantages and disadvantages of the schemes are outlined in **Appendix 1** to this report. The rationale behind the analysis is to identify CTS scheme options, and consult upon the adoption of the said options. To adopt a banded scheme we would need to purchase specialist software. Any relevant software required may attract procurement requirements and software would need to be compatible with the existing processing system.

8.2 It is also noted that any new scheme should address member dissatisfaction with the elements of the current scheme, and the potential administrative burden due to the rollout of Universal Credit.

8.3 In light of the announcements in the budget regarding UC further work is required in order to ascertain the impact this could have for South Ribble under its current scheme and the modelled options and it is proposed that this further detailed analysis is undertaken.

8.4 Benchmarking with other Lancashire Local Authorities has shown that the majority are making no major changes to their existing schemes for 2019/20.

**9. Financial implications**

9.1 The financial implications of the 5 options are considered in terms of scheme costs (i.e. amount of Council Tax Discount) in the body of the report. Compared to the current scheme, reducing the minimum payment to £3.22/week (option 2) would reduce the cost compared to the current scheme and removal of the £3.50/week minimum payment (option 5) would increase the cost to the Council. The other 3 options are considered to be broadly cost-neutral. Please note that as set out in the modelling documentation, the cost implications are based on a set of assumptions at this point in time in relation to council tax increases, the anticipated level of migration to Universal Credit, changes in National Living Wage and taxation. They are therefore indicative and form part of the overall potential implications of each option, both on the Council and claimants.

9.2 The net financial impact for South Ribble Borough Council and any preceptors as a result of potential changes is as apportioned below;



Figures quoted are for the financial year 2018/19.

Therefore the cost implications of each option will impact on the preceptors, LCC in particular.

For illustrative purposes, based on the apportionment for 2018/19, removal of the £3.50/week minimum payment (option 5) would result in a forecast loss of council tax income in 2019/20 as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Option 1****£’000** | **Option 2****£’000** | **Option 3****£’000** | **Option 4****£’000** | **Option 5****£’000** |
| South Ribble | Broadly cost neutral | (24) | Broadly cost neutral | Broadly cost neutral | 69 |
| Lancashire County Council | (137) | 397 |
| Police and Crime Commissioner | (19) | 55 |
| Combined Fire and Rescue Authority | (7) | 20 |
| **Indicative Cost / (Saving)** | **(187)** | **541** |

9.3 Indicative costs for the required software are a charge of £28,250 for the licence, £2,600 consultancy and an annual maintenance charge of £5,250. DWP have provided funding in 2018/19 to support Universal Credit implementation in the sum of £39,304 which would assist with the cost of any required software. Further funding moving forwards is unknown at this stage.

9.4 There will be additional costs associated with the remodelling exercise that needs to be undertaken. Funding will be found from in year savings and appropriate virements made.

**10. LEGAL IMPLICATIONS**

10.1 The Council is under a legal duty by virtue of Schedule 1A to the Local Government Finance Act

1992 to consider each year whether to revise its council tax reduction scheme or to replace it with another scheme. Schedule 1A also provides that any revision to the scheme, or any replacement scheme must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect. The Council has a legal duty to review its CTS every year and to consult on any proposed changes. The recommendation for 2019/2020 is that there should be no change to our existing scheme. However, if members wish to adopt a new revised or replacement scheme for the following year 2020/21, then, as set out in this report, government guidance provides for a consultation period of 12 weeks to allow for all those affected with an opportunity to comment. If changes are made without the process being followed, there is a risk of the scheme being challenged by Judicial Review.

**11. Human Resources and Organisational Development implications**

11.1 It is not envisaged that there will be any requirement for changes to staffing levels at this stage. The Leadership Team will keep this under review and any training requirements will be resourced and met internally.

**12. ICT/technology implications**

12.1 It will be necessary to procure any required additional Capita modules, which will require installation and testing, together with end user training.

**13. Property and Asset Management implications**

13.1 There are no known implications for the physical estate.

**14. RISK MANAGEMENT**

14.1 There are no known residual risks at the time of writing this report. Nevertheless the GRACE Risk Management System has been updated to highlight the risks associated with this report and proposals therein.

**15. EQUALITY AND DIVERSITY IMPACT**

15.1 A full Equality Impact Assessment (EIA) was carried out in January 2013 in relation to the scheme introduced in April 2013. A further EIA will be required for any proposed new CTS scheme.

**16. RELEVANT DIRECTORS RECOMMENDATIONS**

16.1 This reports affords the opportunity for the Cabinet to receive an update on CTS scheme following recent Government announcements and further proposals in relation to the hardship schemes.

 17. **COMMENTS OF THE STATUTORY FINANCE OFFICER**

17.1 The MTFS approved in February 2018 included a £73,000 forecast loss of income from 2019/20. Therefore if the Council continues with its existing scheme for 2019/20, the impact on the council’s funding forecast in 2019/20 will be an increase in income of £73,000. Council tax income forecasts in the MTFS for 2019/20 will also be revised to reflect the forecast Council Tax base, estimated Collection fund surplus or deficit balances and reflect Council decisions regarding Council Tax increases.

17.2 In relation to the discretionary housing scheme the current budgets for 2018/19 is £141,496. This fund is cash limited as we are fully recompensed by Government grant. The exceptional hardship scheme is locally funded and may change following the budget setting consultation exercise. The consequences of which will be reported back to Council during the budget cycle.

**18. COMMENTS OF THE MONITORING OFFICER**

18.1 It is a legal requirement to consult all those affected by any changes to a proposed replacement CTS scheme. If changes are made without consultation, then the scheme could be challenged by Judicial Review. Any proposed replacement scheme has to be approved by Council.

**BACKGROUND DOCUMENTS**

Policy in Practice Modelling Documentation

**APPENDICES**

Appendix 1 Scheme Modelling Options

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|  Report Author: | Telephone: | Date: |
| Paul Hussey |  |  |