

| REPORT TO | ON |
|-----------|------------------|
| CABINET | 13 February 2019 |

| TITLE | PORTFOLIO | REPORT OF |
|--|--------------------------|----------------------------------|
| Council Tax Support Scheme – Modelling Outcome and Hardship Scheme Review | Cabinet Member (Finance) | 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?) | Yes | |
| Is this report on the Statutory Cabinet Forward Plan ? | Yes | |
| Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? | No | |
| Is this report confidential? | No | |

1. PURPOSE OF THE REPORT

- 1.1 As documented previously the Cabinet's intention has always been to consult and implement a new Council Tax Support Scheme in April 2019. However the Government announcement on changes to Universal Credit (UC) in the Chancellor's Budget of 29th October 2018 meant that we needed to review the potential impact of the changes in relation to any local scheme that might be implemented. It was therefore decided to commission Policy in Practice to undertake an impact assessment and remodelling of the current and alternative scheme options. This report details the outcome of that remodelling.
- 1.2 It was also identified that promotion and take up of the Exceptional Hardship Fund was low and there was a need to proactively promote the Fund to ensure that it supports those in greatest need.

2. PORTFOLIO RECOMMENDATIONS

- 2.1 That the Cabinet notes the recent Government budget announcements and the remodelling work carried out to inform the formal consultation required to adopt a revised Council Tax Support scheme for 2020/2021.
- 2.2 That the Cabinet notes the proposed work to proactively promote the hardship funds.

3. REASONS FOR THE DECISION

- 3.1 The adoption of a revised Council Tax Support scheme has been agreed as a priority in the Corporate Plan (2018-23) and Medium Term Financial Strategy.
- 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:

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

5. BACKGROUND TO THE REPORT

- 5.1 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.
- 5.2 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 |

The total enforcement numbers for 2018/19 is 1,109 with 1,079 of these relating to unpaid Council Tax. As part of our current policies and practices we continually inform and allow the customer to contact the council to discuss possible repayment arrangements at our various recovery stages. Before any enforcement action is considered, we individually review each case to seek alternative solutions for recovery before issuing the case to our enforcement agents. Only if no other method is available or no contact is made by the customer, would the case be issued.

- 5.3 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.
- 5.4 A report was presented to Cabinet on the 23 January 2019 updating Cabinet on the work to date on the CTS scheme and a recommendation to continue with the current scheme during financial year 2019/20, with any revised scheme implemented in financial year 2020/21.

6. PROPOSALS

Scheme Modelling

- 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 |
|---------------|----------|---------------|----------|------------|
| October 2017 | 311 | October 2018 | 1383 | 445% |
| November 2017 | 328 | November 2018 | 1475 | 450% |
| December 2017 | 330 | December 2018 | 1180 | 358% |

- 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.
- 6.3 Following the above budget announcements and the need to review the potential impact of these changes in relation to any local scheme that might be implemented, we commissioned further remodelling of the current scheme and alternative scheme options. Full details are as 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. 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.
- 6.4 The current scheme and alternative options are highlighted below:
- Option 1: Maintaining the current scheme with £3.50 per week minimum payment.
- Intended to be revenue neutral
 - Would not address the administrative burdens of UC
 - Would not address Member concerns regarding a minimum payment for all
- Option 2: Income Banded scheme with 100% maximum support (for lowest income band)
- Would not be revenue neutral
 - Would have the potential to address administrative burdens
 - Would address Member concerns regarding a minimum payment
- Option 3: Current scheme with no minimum payment (removal of £3.50 charge)
- Would not be revenue neutral
 - Would not address administrative burdens of UC
 - Would address Member concerns regarding a minimum payment
- Option 4: Prior to remodelling the income banded scheme had been designed and modelled with maximum 85% support for the lowest income band.
- Was intended to be revenue neutral
 - Would have the potential to address the administrative burdens of UC
 - Would partially address Member concerns regarding a charge

Hardship Funds

- 6.5 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):
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 (PBS)
Personal Budgeting Support offers advice on how to manage day to day budgeting.

An Exceptional Hardship Policy has been created by the Council to assist applicants for Council Tax Support who are facing hardship. This is to provide further assistance where an applicant is in receipt of Council Tax Support, but the level of support does not meet their full Council Tax liability. This support is available to any applicant in receipt of Council Tax Support. Applications are made in writing by completion of a short form. To receive an award claimants need to demonstrate that they do not have enough income to pay a council tax charge after taking into account all reasonable expenditure. It has been recognised that take up for EHP's is low and there is a requirement to raise awareness and increase take up for those who need it. In 2017/18 £2840.74 was awarded in Exceptional Hardship Payments. To date for 2018/19 we have awarded £2883.94. However it should be noted that some provision for council tax shortfalls are taken into account when considering Discretionary Housing Payments.

- 6.6 In light of the above, the proposal is to adopt a more proactive approach to the publicising of all schemes and increase support to strengthen the scheme currently known as the Exceptional Hardship Fund. The scheme is to be renamed Local Support Fund. We intend to ensure that all CTS claimants are proactively targeted. 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. A leaflet has been prepared to be sent to all CTS claimants as part of the annual billing process, a copy of which is included with this report as **Appendix 2**.
- 6.7 As at the date of this report around 5,808 (11.7%) households out of 49,470 in the borough receive this support, this is at a cost of £5,012,526 of which £611,528 is South Ribble's share. Of those benefitting 3,021 households (6.1%) are working age and 2,787 (5.6%) are pensioners (who continue to qualify for rebates of up to 100%). At this point we do not have the analytical data to understand the spread of these claimants across wards or other demographic information. Some initial work has been carried out to identify the profile of Council Tax Support claimants by ward. This data has been included with this report. Further work is needed to obtain a more accurate breakdown and a working age/pension age split. Cabinet is asked to note that work is ongoing to provide this data.
- 6.8 As a Council we are keen to support customers to avoid getting into difficulties with Council Tax. This reflects our desire to focus on prevention and the health and wellbeing of our residents. Further where possible the Council will follow the 6 steps for Local Authorities good practice guide produced by the Money Advice Trust. A summary of our action to date is provided below:
- *Make a clear public commitment to reduce the use of bailiffs over time*
We are continually reviewing all options open for recovery and have introduced additional steps in our own recovery processes. The numbers of other recovery actions may have increased and enforcement agent numbers may have seen a decrease, but we cannot commit to continue this decrease. If other methods have been exhausted then enforcement action will still be necessary to collect any outstanding monies.
 - *Review signposting to free debt advice, including phone/online channels*
Debt advice information is included on the recovery documentation that is sent out to customers and reviewed regularly for accuracy and relevance. Information is also freely available on our website.

- *Adopt the Standard Financial Statement (SFS) to objectively assess affordability*

The financial form that we use to ask customers about their financial circumstances is more detailed than the recommended SFS. We also signpost customers to the personal budgeting service that is provided within Gateway.

- *Put in place a formal policy covering residents in vulnerable circumstances*

Vulnerability and awareness of vulnerability has been included in the amended debt recovery policy and our enforcement agents also have extensive policies and practices around vulnerability issues (included within the Taking Control of Goods Act/National Standards 2014).

- *Exempt Council Tax Support (CTS) recipients from bailiff action (England only)*

This would require a change to the Council current Policy. As referred to in the first bullet point above a number of other recovery procedures are used including payment arrangements, attachment of benefit/universal credit, and attachment of earnings.

- *Sign the Council Tax Protocol and examine the Money Advice Service toolkit for working with debt advice agencies*

The Council Tax protocol was agreed and signed in early 2018. Staff are fully aware of current information for debt advice agencies. 1-2-1 review meetings with the Citizens Advice and our enforcement agents are also regularly undertaken.

7. CONSULTATION REQUIREMENTS

- 7.1 Government have indicated a change to Local Government Financing to take effect from 2020/21 through a revised funding formula. The Council continues to engage in the consultation process for this significant financial change. These funding changes may further impact on the CTSS.
- 7.2 In relation to the adoption of a new or revised CTS 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)

- 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, and
- 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) 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 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.

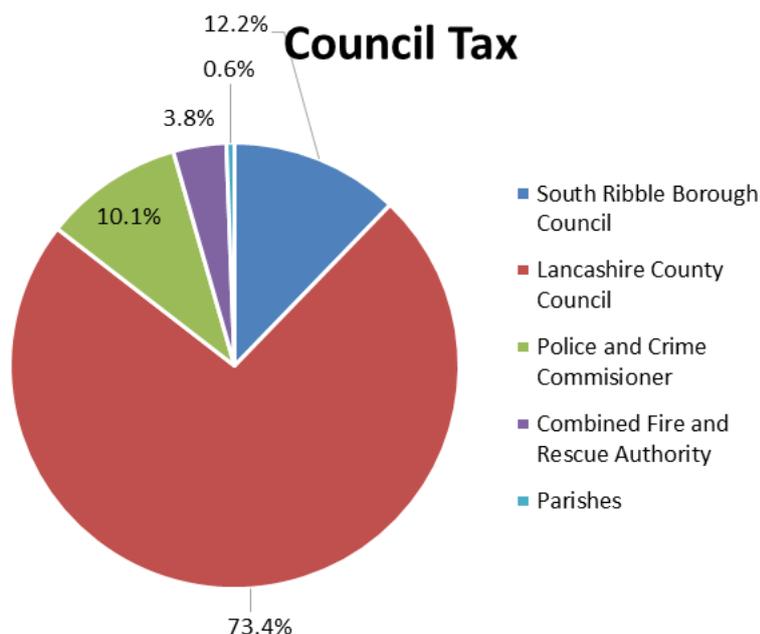
- 7.3 Detailed proposals regarding consultation including process, methodology and timetable will be presented to Cabinet and Council during the first quarter of 2019/20.

8. FINANCIAL IMPLICATIONS

- 8.1 The financial implications of the 4 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, removal of the £3.50/week minimum payment and removal of a minimum deduction for those in the lowest band under the banded scheme would both increase the cost to the Council

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.

- 8.2 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 2019/20 (assumed as being as for 2018/19). The Income Banded Scheme with 100% maximum support (option 2) and Current Scheme with No Minimum Payment (option 3) 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 |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| South Ribble | | 59 | 59 | |
| Lancashire County Council | | 338 | 338 | |
| Police and Crime Commissioner | Broadly cost neutral | 46 | 46 | Broadly cost neutral |
| Combined Fire and Rescue Authority | | 17 | 17 | |
| Indicative Cost / (Saving) | | 460 | 460 | |

- 8.3 Indicative costs for the necessary software for a Banded Scheme are a charge of approx. £28,250 for the licence, £2,600 consultancy and an annual maintenance charge of £5,250. DWP 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. LEGAL IMPLICATIONS

- 9.1 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. If members wish to adopt a revised or replacement scheme for 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.

10. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

- 10.1 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.

11. ICT/TECHNOLOGY IMPLICATIONS

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

12. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

- 12.1 There are no known implications for the physical estate.

13. RISK MANAGEMENT

- 13.1 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.

14. EQUALITY AND DIVERSITY IMPACT

- 14.1 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.

15. RELEVANT DIRECTORS RECOMMENDATIONS

15.1 That the Cabinet notes the recent Government budget announcements and the remodelling work carried out to inform the formal consultation required to adopt a revised Council Tax Support scheme for 2020/2021.

15.2 That the Cabinet notes the proposed work to proactively promote the hardship funds.

16. COMMENTS OF THE STATUTORY FINANCE OFFICER

16.1 The changes to the CTSS are reliant upon an appropriate consultation which will commence on approval of options. The Council will identify options and consult accordingly.

17. COMMENTS OF THE MONITORING OFFICER

17.1 Please see the legal Implications set out above. Whatever is ultimately decided in this regard we must ensure that we first go through a robust consultation exercise with regard to the relevant proposals whilst this has been something of a drawn out process it is imperative that we come up with a solution that is as equitable and efficient as possible.

BACKGROUND DOCUMENTS

APPENDICES

Appendix 1 Scheme Modelling Options

Appendix 2 Draft Local Support Fund Leaflets

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