

REPORT TO	ON
CABINET	10 th July 2019



TITLE	PORTFOLIO	REPORT OF
Council Tax Support Scheme 2020/21– Consultation Proposals	Community Engagement, Social Justice and Wealth Building	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

PURPOSE OF THE REPORT

1. The purpose of the report is to update Cabinet on the current situation with our Council Tax Support scheme (CTSS) and seek their agreement to how we ought to proceed with a formal consultation exercise. The consultation exercise will inform the proposal for introducing an amended scheme for the year 2020/21.
2. As previously reported the Council's intention was to consult and implement a new scheme in 2019/20. However, the Government announced changes to Universal Credit (UC) in the Chancellor's Budget on 29th October 2018 which meant that we needed to review the potential impact of the changes in relation to any local scheme that might have been implemented in April 2019. This report provides further analysis as the basis for future consultation.
3. It was also identified that there was a need to proactively promote the scheme to ensure it supports those in greatest need.

PORTFOLIO RECOMMENDATIONS

4. That the Cabinet notes the proposals detailed in the report.
5. That the Cabinet notes and agrees the process and timeline for consultation on Option 2.
6. That the Cabinet notes and agrees to further work being undertaken in relation to the empty homes premium.

REASONS FOR THE DECISION

7. To assess the impact of the CTSS in light of the introduction of Universal Credit.

8. The adoption of a revised Council Tax Support scheme (CTSS) has been agreed as a priority in the 5 year Corporate Plan (2018-23).
9. 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.

EXECUTIVE SUMMARY

10. This report sets out the analysis and process for consultation on a new CTSS in line with Government guidance and legislation.

CORPORATE PRIORITIES

11. The report relates to the following corporate priorities:

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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BACKGROUND TO THE REPORT

12. Until 2012/13, there 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 charge increase. In financial year 2013/14 SRBC introduced a flat rate which for 2019/20 is £3.50/week, therefore every working age household in receipt of CTS must pay at least this amount of their council tax bill.
13. The collection rates for Council Tax is currently 97.4% but the picture is different for those on the CTS scheme. There are currently 3129 working age CTS claimants. On the first 2019/20 council tax recovery summons run on 5 June 2019 we raised 1161 summons. Of this total summons figure 381 were for working age claimants in receipt of CTS at that date. This is 12.2% of the total working age caseload. Of the 381 claimants 368 owe the standard £3.50 per week (£183 per year) or more.
14. 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 charge is unaffordable for some.
15. A report was presented to Cabinet on the 23 January 2019 updating Cabinet on the work to date on the CTS scheme. There was a recommendation to continue with the current scheme during financial year 2019/20, with any revised scheme implemented in financial year 2020/21. At the Full Council meeting on 27 February 2019 it was agreed to maintain the current CTS scheme for 2019/20.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

16. 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
January 2018	317	January 2019	1266	299%
February 2018	291	February 2019	1490	412%

March 2018	268	March 2019	1498	459%
April 2018	252	April 2019	1203	377%

17. 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.
18. 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, further analysis was undertaken on the current scheme and alternative scheme options. The rationale behind the analysis is to identify potential CTS scheme options, and consult upon the adoption of a preferred option. 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.
19. Our current Council Tax Support Scheme for working age claimants is a means tested award based on a calculation of income received and an 'applicable amount', and then subject to the flat rate additional £3.50 charge. There is no set threshold to determine whether or not a claimant will be entitled to CTS as this will depend on the applicable amount. The applicable amount is a figure to reflect the basic living needs of a claimant and family based on personal allowances, additional premiums and allowances, taking into account disabilities, family size and circumstances.
20. Two claimants on the same level of income could be entitled to a totally different level of support. This is illustrated as follows:

Example 1: single claimant aged 40 with income of £250 per week and a council tax liability of £20 per week. The applicable amount is made up of a single person 'personal allowance' which for 2019/20 is £73.10.

Income	£250.00
Applicable Amount	£73.10

The entitlement for this customer is £0.00 CTS as his income is too high.

Example 2: Couple with one child and income of £250 per week and a council tax liability of £20 per week. The applicable amount is made up of a couple 'personal allowance' of £114.85, together with a Family Premium of £17.45 and a dependents allowance of £66.90 – total £199.20.

Income	£250.00
Applicable Amount	£199.20

The entitlement for this customer is £9.84 minus the standard charge of £3.50 per week equals £6.34 per week.

21. Scheme Analysis and Addressing Poverty.

Further analysis has been undertaken to address the impact of the current scheme and alternative scheme options on areas of poverty and this is summarised below:

- One of the objectives of any CTS scheme was to protect the vulnerable. The current scheme recognises this objective by disregarding disability benefits such as Personal

Independence Payments and including additional premiums in the calculation for disabled households.

- Members have expressed concerns about the level of protection and would like to look at this area further particularly in relation to the standard minimum £3.50 per week charge for all working age claimants. There is concern that some claimant groups may be considered to be below the poverty line, which could be alleviated in part by the removal of a standard deduction. To do this we need to establish those we consider to be in poverty and may need additional assistance.
- There are several benchmarks, one of which is 'relative poverty'. This is defined as when households receive 50% - 60% less than average median household incomes, so they do have some money but still not enough money to afford anything above the basics. Median household disposable income in the UK was £28,400 in the financial year ending 2018, based on estimates from Living Costs and Food Survey – Office of National Statistics. Taking 55% as the mid-point this would equate to £15,620 per annum. However this figure would mean different things to different household compositions.

For example a single person working 40 hours per week on the National Living Wage of £8.21 per week would have a gross pay of approx. £17,000 which after deductions, would be in the region of £15,000. It would be less challenging financially for a single person to manage on this level of income than it would for a family with children to manage on the same amount.

- The other benchmark that we could consider is the Applicable Amount which is a standard national figure which the Government believes reflects the basic living needs of a claimant and their family.
 - Working Age claimants who are in receipt of a passported benefit such as Income Support, Jobseekers Allowance (Income Based), Employment and Support Allowance (Income Related), receive benefit at the applicable amount level for their family size and need.
 - Under the Council Tax Benefit scheme claimants in these groups previously received full council tax benefit because their income was not in excess of this basic living needs assessment. Of the 3129 working age caseload for South Ribble (@ 28.6.19), there are 1467 in receipt of a passported benefit.
- An area that we do need to be aware of is that some UC claimants will be on an income level to their basic needs allowance but are not regarded in legislation as on a passported benefit. The current software does not therefore enable us to offer them any targeted protection in the same way as claimants in receipt of the passported benefits. We would seek to mitigate this issue by means of the Local Support Scheme (EHP) and actively identify and target these claimants. The figures currently suggest there are approximately 440 claimants who would qualify for payment under the Local Support Scheme.

Option 1: Maintaining the current scheme with £3.50 per week minimum payment.

- Would be revenue cost neutral
- Would not address the administrative burdens of UC as highlighted in point 15 as claims will need to be reassessed potentially on a monthly basis, resulting in multiple bills and letters.
- Would not address Member concerns regarding a charge

Option 2: Current scheme with no minimum payment (removal of £3.50 charge for passported claimants as defined above)

- Would not be revenue cost neutral
- Would not address administrative burdens of UC as highlighted in point 15, as claims will need to be reassessed potentially on a monthly basis, resulting in multiple bills and letters.
- Would address Member concerns regarding a charge
- This option would mirror the Council Tax Benefit scheme as it was before the change to CTS on 1.4.2013. Lancaster City Council's current CTS scheme has no minimum

deduction and has followed the same rules and amendments as Housing Benefit legislation. This therefore incorporates the two major legislation changes detailed below.

Option 3: Income banded scheme with maximum 85% support for the lowest income band.

- Would be revenue cost neutral
- Would have the potential to address the administrative burdens of UC
- Would not address Member concerns regarding a charge

It is felt that the banded scheme option should be a consideration in future years. Initial modelling work has taken place to inform a banded scheme option, including a number of changes to the treatment of income, capital and qualifying criteria. Further modelling and development work is required to fully understand the impact that a banded scheme, and still changing Universal Credit landscape, would have on CTS customers. This is to ensure that any banded scheme meets all requirements such as the reducing the administrative burden of UC, protecting the most vulnerable, incentivising work. It has also highlighted issues with the practical implementation of the intended changes.

22. 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.

23. 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, in 2018/19 £3154.94 was awarded. However it should be noted that some provision for council tax shortfalls are taken into account when considering Discretionary Housing Payments.

24. In light of the above, the proposal is to adopt a more proactive, targeted 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 the **Local Support Scheme**. The application form has been simplified to make it more straightforward to apply. We intend to ensure that all CTS claimants are proactively targeted. A variety of mechanisms are being 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 was also sent

to all CTS claimants as part of the 2019/20 annual billing process, a copy of which is included with this report at **Appendix 1**.

25. Work has been carried out to identify and analyse the profile of Council Tax Support claimants by ward. Breakdowns have been obtained for pension age claimants split into those on Guaranteed Pension Credit, and those all other income types such as state pension, Savings Pension Credit, occupational pensions etc. Working age claimants have been split by specific income types such as earnings, self-employed earnings, Jobseekers Allowance, Income Support, Employment and Support Allowance. A copy of this work is included with this report at **Appendix 2**.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

26. In relation to the adoption of a new or revised scheme Public Consultation is a statutory legislative 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. Major preceptors must be part of this consultation exercise. It is our intention to consult for an 8 week period, which is acceptable under this legislation.

27. For consultation purposes we should only go out to consultation on a 'defined scheme', rather than a number of potential schemes. We must also consult on any changes that are different to the current scheme.

28. The proposal is to consult on scheme option 2.

29. The first 2 weeks of of the 8 week consultation will be focused on the major preceptors. The process will require the following:

- Full details of all changes to the current scheme identified.
- First draft Equality Impact Assessment carried out
- Draft scheme prepared to be made available on SRBC website
- Letter to major preceptors
- Public consultation on website
- Letters of awareness sent to a sample of residents/claimants/interested parties
- Final analysis of results

The timeline for the consultation process is as follows:

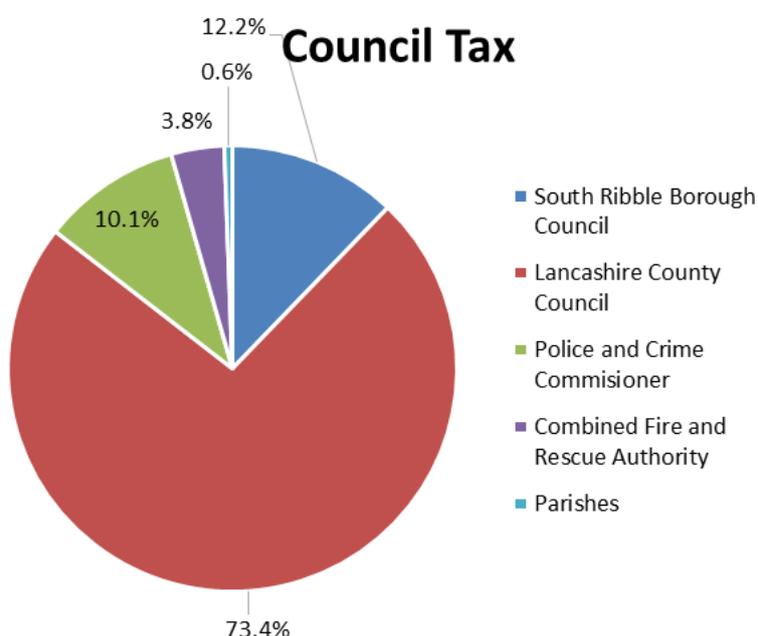
Report to cabinet to seek approval to undertake consultation exercise for an 8 week period	10 July 2019
Consultation exercise to commence with focus on major preceptors for the first two weeks	29 July 2019
Consultation to close. Results to be collated and analysed	23 September 2019
Report to cabinet detailing the outcome of the consultation	13 November 2019
Report to Council detailing the outcome of the consultation and seeking approval of the scheme to be adopted for 2020/21	27 November 2019

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

30. The alternative options are detailed in the proposals section of this report.

FINANCIAL IMPLICATIONS

31. The financial implications of the current scheme and alternative scheme options are summarised above. Compared to the current scheme, removal of the £3.50/week minimum payment would increase the cost to the Council.
32. Please note 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.
33. 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 2019/20.



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

35. For illustrative purposes, based on the apportionment for 2019/20: the Current Scheme with No Minimum Payment (option 2) would result in a forecast loss of council tax income in 2019/20 as follows:

	Option 1 £'000	Option 2 £'000	Option 3 £'000
South Ribble/Parishes		44	Broadly cost neutral
Lancashire County Council		255	
Police and Crime Commissioner	Broadly cost neutral	35	
Combined Fire and Rescue Authority		13	
Indicative Cost / (Saving)		347	

The Council could explore other income opportunities associated with the empty homes premium and 2nd homes Council Tax policy. Recent modelling undertaken in relation to the adoption of a 100% empty homes premium suggest a potential annual yield for the County of £120k.

36. In relation to option 3 the 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. These are indicative figures based on a recent quote provided by Capita Software Services. 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. For 2019/20 DWP have also provided funding in the sum of £26,639 for the administration of Housing Benefit cases migrating to Universal Credit. There will also be costs associated with the consultation exercise as it is our intention to employ the services of an experienced consultation company to assist with this process. Initial estimates indicate a total cost of £2,500.

LEGAL IMPLICATIONS

37. 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 support 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 scheme 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 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.

38. It is recommended that the consultation be undertaken over an 8 week period.

AIR QUALITY IMPLICATIONS

39. There are no known implications for the Air Quality Action Plan.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

40. 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.

ICT/TECHNOLOGY IMPLICATIONS

41. It may be necessary to procure appropriate additional Capita modules, which will require installation and testing, together with end user training.

PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

42. There are no known implications for the physical estate.

RISK MANAGEMENT

43. There are no known residual risks at the time of writing this report. Nevertheless the Project Scope has been updated to highlight the risks associated with this report and proposals therein.

EQUALITY AND DIVERSITY IMPACT

44. A full Equality Impact Assessment (EIA) will be required for any proposed new scheme.

RELEVANT DIRECTORS RECOMMENDATIONS

45. This report sets out the process for consultation on a new CTSS in line with Government guidance and legislation.

COMMENTS OF THE STATUTORY FINANCE OFFICER

46. The potential financial implications of the current scheme and alternative scheme options are summarised in the financial implications of this report. This includes the identification of specific funding which could be used to meet any one-off costs associated with this process.

47. With regard to the forecast loss of Council Tax income from implementing Option 2, this cost is estimated to be in the region of £44,000 per annum for South Ribble, based on current forecasts of working age claimants. In addition, whichever option is chosen, there will be external costs in relation to the consultation exercise. Other potential cost implications identified include IT software (banded scheme) and increased administration costs.

48. Any financial implications will be addressed in the budget process and reflected in the Medium-Term Financial Strategy.

COMMENTS OF THE MONITORING OFFICER

49. For detailed comments please see the Legal implications set out above. As ever the council needs to demonstrate that it is acting in a reasonable manner. We need to carry out a meaningful consultation exercise of any proposed changes to the Council Tax Support scheme – this should include consulting with precepting authorities as well as our residents. We will need to give proper consideration to any representations that are received. We will be taking expert external legal advice in this regard to ensure that we follow proper process throughout and minimise any risk of legal challenge via judicial review. The final decision on the way forward will be for full Council to make.

BACKGROUND DOCUMENTS

Policy in Practice Modelling Documentation

APPENDICES

Appendix 1 Local Support Leaflet

Appendix 2 Ward Analysis

Report Author:	Telephone:	Date:
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10th July 2019