

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 December 2016

Subject: COUNCIL TAX REDUCTION SCHEME 2017/18

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 Council Tax Reduction (CTR) scheme was introduced by the Department for Communities & Local Government (DCLG) in April 2013 as a replacement for Council Tax benefit. It gave a duty to billing authorities to create a local scheme for working age residents, whilst central government continues to prescribe the regulations in respect of any scheme for those of pension age.
- 1.2 The purpose of this report is to provide the results of the public consultation on changes to the Council Tax Reduction scheme from 2017/18 and to seek a decision on the scheme framework for how Council Tax Reduction scheme should look from 2017/18
- 1.3 There have been a number of reports relating to Council Tax collection since the introduction of localised support in 2013. The Children's Society make reference in their recent report that Council Tax is now the main reason for debt in the country.
- 1.4 Schemes across the country vary with households expected to make a contribution ranging from 8.5% to 30%. Hambleton's scheme requires working and non-working age households to pay a minimum of 20% towards their Council Tax bill.
- 1.5 Council Tax collection rates have remained high over the last few years at 98%; however the collection rate for working age residents receiving Council Tax reduction has remained around 78% with accounts carrying arrears into the following years.
- 1.6 Whilst the current scheme rules largely align with the Housing Benefit process the scheme can often be out of sync due the timing of Housing Benefit legislation changes and the restriction that any local scheme for Council Tax Reduction cannot be changed in year. However, the similarity in rules does allow for some administrative efficiencies to be achieved.
- 1.7 Hambleton District Council has around 40,000 households liable for Council Tax. The current means-tested Council Tax Reduction scheme currently provides support to 4,440 low-income and vulnerable households in the district. The caseload split is 57% (2519) pensioner age and 43% (1921) working age. Recent statistics show that 526 households are in employment and 1395 households are not working, which includes those who are disabled and unable to work.
- 1.8 The Council has to consider its Council Tax reduction scheme year on year and has a legal requirement to consult on any proposed changes. Legally when a revision to or replacement of the scheme, which has the effect of reducing or removing entitlement, occurs then transitional provision should be considered.
- 1.9 The Council undertook a consultation during September for 8 weeks exercised to establish residents and preceptors views on the following:

- Keep the current scheme
- Proposed changes to the current scheme to align with Housing Benefit legislation changes making administration simpler and the scheme more cost effective
- Alternative options to fund the scheme if changes were not made as detailed above.

1.10 Only 79 responses were received, therefore the responses only represent a small number of residents' views within the district.

1.11 No responses from the preceptors were received despite requesting nil returns.

1.12 The questions along with the results of the consultation are attached for information at Appendix A.

1.13 In summary the results showed the following:

Keep the Current Scheme - 52% were in favour of keeping the current level of support. The comments reflected the need to protect vulnerable groups of people and those on low incomes due to the current economic impact on families who were struggling.

Proposed changes to current scheme to align with Housing Benefit changes – the majority were in favour of the changes which reduced costs of the scheme and align the scheme with Housing benefit and Universal Credit to make administration simpler. Again the comments reflected the need to support those who face adversity either short or long term.

1.14 The suggested changes to align the scheme with Housing benefit and Universal Credit are detailed in the table below:

Options	% in favour
1. Removing the Family Premium for all new working age applicants	
2. Reducing Backdating to one month	68.4
3. Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Reduction to four weeks	80.5
4. To remove the element of a Work Related Activity Component in the calculation of the current scheme for new Employment and Support Allowance applicants	76.9
5. To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of two	73.1
6. To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them	76.6
7. Using a set income for self-employed earners after one year's self-employment	60.3
8. To introduce a scheme, in addition to Council Tax Reduction, to help applicants suffering exceptional hardship	76.3

1.15 **Alternative options to fund the scheme if changes were not made** - The proposals set out in the consultation could reduce costs. If the Council keeps the current scheme, the costs implication should be considered against future funding, the need to support the most vulnerable and the current trend of reducing administration costs. Budgets would need to be found from other areas to help meet any increase in costs.

1.16 If changes to the scheme occur then the consultation showed that the preferences to fund the scheme, if required, would be as detailed below; however it is more likely to generate cost savings due to bringing it in line with Housing Benefit and Universal Credit schemes.

- Use the council's savings
- Reduce funding from other services
- Increase the level of council tax

1.17 In conclusion to the consultation undertaken, the preferred option would be to:

- Maintain a scheme similar to the current scheme which aligns with the Housing Benefit legislative changes
- Staff are familiar with the administration of this scheme which has advantages of 'economies of scale'
- Due to the potential impact of changes on vulnerable residents it is suggested that an exceptional hardship policy is integrated into the Council tax reduction scheme.

1.18 The Council Tax Reduction scheme it is suggested is approved for 1 year as required in legislation which allows for the implications of Universal Credit which is now fully implemented at HDC from 17 October 2016.

2.0 LINK TO COUNCIL PRIORITIES:

- 2.1 The Council has a statutory duty to provide a local Council Tax Reduction scheme for working age residents who are struggling to meet their Council tax liability.
- 2.2 The scheme provides financial support to those on low incomes allowing them to live more independent lives and support their health and wellbeing.

3.0 RISK ASSESSMENT:

- 3.1 There are no significant risks in approving the recommendations.
- 3.2 The key risk in not approving the recommendations is as shown below:-

Risk	Implication	Prob*	Imp*	Total	Preventative action
That a Local Scheme will not be adopted by Council within the timescales.	The Council has not fulfilled its statutory duty and runs the risk of challenge	3	4	12	To ensure that the Council adopts a Local Scheme by 31 January 2017

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

4.0 FINANCIAL IMPLICATIONS:

4.1 Since 2013/14 the amount paid out in respect of Council Tax reduction has been reducing year on year which is also reflected in the number of residents in receipt of the support.

Year	Average caseload	Amount awarded
2013/14	5018	£4,207,667
2014/15	4769	£3,782,782
2015/16	4576	£3,578,246
2016/17	4440 (sept)	£3,688,735 (sept)

4.2 When the scheme started in April 2013 it meant some households having to pay Council Tax for the first time with the remaining accounts seeing increases in their bills.

- 4.3 Council Tax collection rates have remained high over recent years at 98%. Whilst the collection rate on the accounts of working age residents has been encouraging at around 78%, it has been challenging for what is a relatively small number of accounts. Due to the requirement to pay a minimum of 20% some accounts are carrying arrears into the following years making the prospect of collection more time consuming and costly in comparison to usual collection.
- 4.4 The cost of awards under the Council Tax Reduction scheme impact on the tax base and therefore the Council Tax income. If the cost of awards were to reduce this would mean that the Council Tax base could increase as would the income. Any increase in income would be shared through the Collection Fund with the preceptors.
- 4.5 The introduction of the exceptional hardship policy being integrated into the Council Tax reduction scheme means that all preceptors through the collection fund share the reduction in income that may result.

5.0 LEGAL IMPLICATIONS:

- 5.1 The Council has a statutory duty to consult upon a proposed scheme. Case law has determined the guiding principles for fair consultations through the Supreme Court ruling in the case of R (on the application of Moseley) V London Borough of Haringey (2014) in particular the need to set out alternative choices within the consultation.
- 5.2 The Local Government Finance Act provides that the making or revision of a Council Tax reduction scheme can only be discharged by the Authority.

6.0 EQUALITY/DIVERSITY ISSUES

- 6.1 The proposed changes to the Council Tax Reduction Scheme 2017/18 have resulted in the undertaking of the full Equality Impact Assessment being carried out.
- 6.2 The Equality Impact Assessment has highlighted overall it is working age residents who are negatively impacted by the proposed changes to the scheme.
- 6.3 The proposed changes to the working age Council Tax Reduction scheme affect adults of all ages (below the state pension age) regardless of other equality factors. The proposed changes have a low relevance to the Equality Act.
- 6.4 The Equality impact assessment is attached at Appendix B, which also includes further information attached at Appendix C.

7.0 HEALTH AND SAFETY ISSUES

- 7.1 There are no health and safety issues in relation to the adoption of a Council tax Reduction scheme.

8.0 RECOMMENDATIONS:

- 8.1 That Cabinet approves and recommends to Council that:
- (a) the Results of the consultation exercise are noted;
 - (b) the Local Council Tax Reduction Scheme for 2017/18 be based on current scheme but in line with the Housing Benefit legislative changes; and

- (c) an exceptional hardship policy is integrated into the scheme and the Collection Fund to support vulnerable residents who may face severe financial hardship because of the impact of changes

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Background papers: None

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