

COUNCIL MEETING - 30TH JANUARY, 2018

AGENDA ITEM NO.1

COUNCIL TAX SUPPORT SCHEME 2018/19 AND COUNCIL TAX DISCOUNTS

1. INTRODUCTION

- 1.1 Cabinet considered report no. FIN1801, from the Portfolio Holder for Concessions and Community Support, at its meeting on 9th January 2018.
- 1.2 The report set out the results of a public consultation on various options for change to the Council Tax Support Scheme (CTSS) and to Council Tax discounts on certain categories of empty properties.
- 1.3 Cabinet now recommends to Council for approval the changes to the CTSS and Council Tax Discounts as set out in this report, to take effect from the 1st April 2018.

2. BACKGROUND

- 2.1 Since 2013/14, local authorities have been running their own, locally agreed, Council Tax Support Schemes, replacing the previous national Council Tax Benefit Regulations. The Council has the freedom to set its own local scheme, based on local circumstance and need, other than for pensioners who must be provided with the same level of support as under the previous national arrangements.
- 2.2 The local scheme introduced in 2013/14 initially sought a minimum 8% contribution from those of working age, which was increased to 10% in 2016/17.
- 2.3 The scheme treats income from child maintenance and child benefit as real income within the scheme calculations and disregards all income from War Pensions. In 2016/17, the scheme was amended to reduce the savings threshold from £16,000 to £6,000, to restrict the maximum support to a Band D level for Bands E and above and to harmonise the scheme with other benefits by making changes to back-dating rules and removal of the Family Premium for new claimants. Further harmonisation took place in 2017/18 including changes to temporary absence rules and other technical changes.
- 2.4 The Welfare Reform group continues to monitor the effect of these changes on those in receipt of support in order to build up an evidential basis for any future suggested changes to the scheme.

- 2.5 This local scheme has proved effective and the Council Tax collection rates remain high, increasing in 2016/17 to 98.1% from 97.9%. Those in receipt of Council Tax Support (CTS) are generally meeting their Council Tax liabilities; however, the collection rate for the CTS group is lower than for all Council Tax payers across the whole of the Borough. Current year payment rates for those of working age in receipt of CTS are running at around 85.1%, which compares favourably with a DCLG study, which shows rates on average of between 65 – 75% across the board nationally for this group of people.
- 2.6 The current minimum contribution of 10% is at the low end of similar Councils' schemes within our audit grouping. Of those in the group who have introduced a minimum contribution, the next lowest level is Rugby at 15%, with one council at 17%, one at 18.5%, four at 20%, two at 25% and at the highest, Kettering has a minimum contribution of 45%. For all of the audit group, collection levels for 2016/17 were holding up well at between 96.9% and 98.4%.
- 2.7 Cabinet agreed at its meeting of 17th October 2017, to consult on a range of options on the minimum contribution alongside two harmonisation changes to be effective from 1st April 2018 i.e.
- a) that the new Bereavement Support Payment is disregarded as income within the Council's CTSS
 - b) that a two dependent children rule as operated for Housing Benefit and Universal Credit purposes, is also applied within the Council's CTSS
- 2.8 At the same meeting, Cabinet agreed to consult on a number of options for changes to the level of discount provided for empty properties that are either undergoing major repairs or structural alterations or are unoccupied and unfurnished.

3. RESULTS OF THE CONSULTATION EXERCISE

- 3.1 The consultation period ran for 6 weeks, from Monday 6th November until Sunday 17th December 2017.
- 3.2 2,566 working age Council Tax Support (CTS) claimants were sent letters about the consultation. Letters were also sent to the 1,458 people who have received a Council Tax discount because they had an empty property in the last five years
- 3.3 3,688 people, who have signed up via email to receive news or information about consultations, were sent an email informing them of the consultation with a link to fill in the survey. Paper copies were available at the Council Offices and Citizen Advice Rushmoor and the survey was promoted via the Council's website and social media (Facebook and Twitter).

- 3.4 In total, there were 482 surveys returned (479 online and 3 paper surveys). 110 respondents (23.0%) identified themselves as being in receipt of council tax support and nine (1.9%) identified themselves as receiving a council tax discount because they had an empty home.
- 3.5 Attached at Appendix 1 is the detailed consultation report, which includes a copy of the survey itself.
- 3.6 The consultation was split into two sections; one relating to the Council Tax Support Scheme and one relating to the options for changes to Council Tax discounts for empty properties. The following options were consulted on:

Section 1: Council Tax Support Scheme

Option 1: Increase the minimum amount of council tax that working age people pay from 10% (90% discount). The options ranged from 12% minimum contribution (88% discount) up to 25% minimum contribution (75% discount).

Option 2: To exclude the new bereavement support payment when calculating council tax support

Option 3: Limit the number of dependent children to two when calculating council tax support

Option 4: Other ways of meeting the shortfall in the Council's funding, including increasing council tax, reducing spending on other services or increasing income and using Council reserves. The need for additional questions around funding for the scheme stem from the Supreme Court hearing in October 2014 *Stirling/Mosely v The London Borough of Haringey* where the Court found that Haringey had acted misleadingly by failing to provide options for meeting the shortfall resulting from cuts in government funding for CTSS other than through reducing support.

Section 2: Council Tax Discounts and Exemptions

Option 1: Options for the level of discount to be provided on homes that are undergoing major repairs or structural alterations.

- A 50% discount for 12 months (as now)
- A 50% council tax discount for six months
- 40% discount for 12 months
- 100% discount for one month
- No discount

Option 2: Options for the level of discount to be provided on homes that are that are unoccupied and unfurnished

- 100% discount for three months (as now)
- 100% discount for two months
- 100% discount for one month
- No discount

3.7 To demonstrate good practice and avoid any legal challenge around process, any recommendations for change to the scheme should centre on the issues consulted upon and evidence that the changes take into account the responses received.

4. RECOMMENDATIONS OF THE WELFARE REFORM GROUP (WRG)

4.1 The cross-party Member Group has continued to meet throughout the year, monitoring the impact of Welfare Reform and of the CTS Scheme in particular, on our residents. The Group's meeting on 13th December 2017 centred on the detailed consultation responses and preparing a series of recommendations for Cabinet.

4.2 The majority of the Group recommended that the following changes be implemented from 1st April 2018:

- To increase the minimum amount of council tax that working age people pay from 10% (90% discount) to 15% (85% discount) for 2018/19 and to hold the minimum contribution at this level for 2019/20
- To exclude the new bereavement support payment when calculating council tax support
- To limit the number of dependent children to two when calculating council tax support
- To award 50% discount for six months for homes that are undergoing major repairs or structural alterations
- To award 100% discount for two months for homes that are unoccupied and unfurnished

4.3 The table at Appendix 2 sets out the recommendations with a rationale for each and any additional comments from the Group.

4.4 The Group also considered the responses to the additional questions about alternative methods of funding the Scheme rather than making changes to the minimum contribution. The majority of respondents disagreed with funding the Scheme by increasing the Council Tax overall (67.5%) or by reducing other services or increasing other income (63.1%). 57.9% of respondents however, supported the option that the Council use its reserves to fund any shortfall in funding the scheme.

4.5 The Council does have reserves set aside to support its revenue position but these reserves are relatively modest and are required to protect the Council from unforeseen fluctuations in its financial position and to support

invest-to-save schemes, making it difficult to see how use of reserves to support CTSS would be a sustainable financial position moving forward.

- 4.6 A minority view was put forward within the Group that the additional expected income from changes to the Council Tax Discounts for empty homes, in the second part of the consultation, could be used to maintain the CTSS minimum contribution at its current level, rather than contributing to the Council's overall financial position.

5. FINAL RECOMMENDATIONS FROM THE CABINET

- 5.1 The Cabinet considered the recommendations and in particular the proposed change to the minimum contribution level from 10% to 15%. After considerable debate, the Cabinet amended the recommendations to propose that an increase to 12% be implemented in 2018/19 and, subject to analysis of the impact of this increase on recipients, the contribution should be increased to 15% from 2019/20. This would spread the impact of an increase to 15% over two years and be fairer to those in receipt of support.
- 5.2 As the consultation exercise did not specifically refer to a two-year scheme, the recommendations to Council include only the increase to 12% for 2018/19. It is likely that further consultation will take place on the scheme during 2018/19, due to any potential further harmonisation with other benefits and the roll out of Universal Credit, alongside any other changes on which the Council expects to have to consult.
- 5.3 This also reflects the Cabinet's position that any decision on the increase proposed for 2019/20 will only be taken in light of data and evidence considered by the Welfare Reform Group, and subsequently by Cabinet, during the forthcoming year.

6. IMPLICATIONS OF PROPOSED COURSE OF ACTION

Financial and Resource Implications

- 6.1 Resource implications are minimal. The CTS scheme will be more cost effective to administer if it is aligned with Housing Benefit regulations.
- 6.2 There are a number of financial implications of the proposed changes to CTS and to Council Tax Discounts, on both individuals in receipt of CTS or Discounts and for the Council itself and its wider Council Tax preceptors (Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority).
- 6.3 The impact of a 12% minimum contribution for working age claimants, assuming no change to welfare benefit rates, applicable amounts, caseload or overall Council Tax level, would be a saving of approximately £52,781 for all preceptors split broadly as follows:

- Hampshire County Council £38,457
- Rushmoor Borough Council £6,540
- Hampshire Police & Crime Commissioner £5,617 and
- Hampshire Fire & Rescue Authority £2,167

For a Band C household paying at the minimum contribution level, a move to 12% minimum contribution would increase the annual bill for a couple from £138.24 to £165.88 and for a single person (with 25% discount) from £103.68 to £124.41. This compares to a full annual bill for a Band C household of £1,382.35 for a couple and £1,036.76 for a single person (2017/18 levels).

6.4 Moving to a discount of 50% for six months instead of twelve months for properties undergoing major repairs would, based on average discounts awarded in recent years, provide a saving to preceptors of approximately £15,089 split broadly as follows:

- Hampshire County Council £10,864
- Rushmoor Borough Council £1,962
- Hampshire Police & Crime Commissioner £1,660 and
- Hampshire Fire & Rescue Authority £603

6.5 Moving to a discount of 100% for two months instead of three for properties that are unoccupied and unfurnished would, based on average discounts awarded in recent years, provide a saving to preceptors of approximately £114,721 split broadly as follows:

- Hampshire County Council £82,599
- Rushmoor Borough Council £14,914
- Hampshire Police & Crime Commissioner £12,619 and
- Hampshire Fire & Rescue Authority £4,589

6.6 Both changes to discounts will reduce the amounts awarded in future to eligible taxpayers dependent on the banding of the property in question.

Equalities Impact

6.7 A draft Equality Impact Assessment is attached at Appendix 3, which sets out the key issues and any mitigation.

6.8 The impact on claimants of CTS will continue to be monitored by the Welfare Reform Group.

7. CONCLUSIONS

7.1 The Council's continuing drive towards financial sustainability includes ongoing review of policies such as rent and rate reliefs, Council Tax Support Scheme and Council Tax discounts and exemptions to ensure policies are effective in their operation: balancing support to local residents, businesses and community or voluntary organisations with the funding needs of the Council to support the provision of services.

- 7.2 As part of this review, the Cabinet considered a number of options for change to its CTSS and some locally set Council Tax discounts for inclusion in a consultation exercise that ran during November and December.
- 7.3 The Council's CTSS has proved effective since its implementation in April 2013 with a sound review process continuously undertaken by the Welfare Reform Group, based on data and evidence collected over time.
- 7.4 The results of the public consultation indicate broad support for harmonisation changes to the CTSS regarding Bereavement support payments and the "two children rule" with some support for a 12% increase in minimum contribution but no majority agreement for any other increase.
- 7.5 For the reasons stated in section 5 of this report and having due regard to both the views of the Welfare Reform Group and the public consultation, Cabinet amended its previous recommendation on increasing the minimum contribution level. All other recommendations remain unchanged for onward recommendation to Council.
- 7.6 The recommendations strike a balance between seeking to harmonise with other changes in the Welfare Reform programme and recognising the financial challenges to be faced by the Council over the medium-term whilst still providing a significant level of support to local residents.
- 7.7 The public consultation also supported the recommended change to the level of discount for empty properties undergoing major works or structural alterations (to 50% discount for six months) but provided no clear support to any of the options for unoccupied and unfurnished properties. The WRG unanimously recommended the former change and a move to 100% discount for two months in the latter case, which was in turn supported by the Cabinet.

8. RECOMMENDATIONS

- 8.1 Based on the results of public consultation and the views of the Welfare Reform Group and the Cabinet, Council is recommended to approve
- (a) the following changes to the Council Tax Support Scheme for working age claimants with effect from the 1st April 2018:
- I. to increase the current 10% minimum contribution (90% discount) for those of working age to 12% minimum contribution (88% discount) for 2018/19
 - II. to exclude bereavement support payments from the calculation of Council Tax Support from 2018/19
 - III. to limit the number of dependent children to two when calculating Council Tax Support from 2018/19

(b) the following changes to Council Tax Discounts and Exemptions with effect from the 1st April 2018:

- I. to change the level of discount given for homes that are empty due to undergoing major repairs or structural alterations from 50% discount for 12 months to 50% discount for 6 months
- II. to change the level of discount given for homes that are unoccupied and unfurnished from 100% discount for 3 months to 100% discount for 2 months

G LYON
CABINET MEMBER FOR CONCESSIONS AND COMMUNITY SUPPORT