

Cabinet Paper

Date of Meeting: 8th December 2015

Report of: Peter Bates

Subject/Title: Council Tax Support Scheme 2016/17

Portfolio Holder: Cllr Peter Groves, Finance and Assets

1. Report Summary

- 1.1. Further to Central Government's welfare reform changes, Council Tax Benefit was abolished and from April 2013 has been replaced by a localised Council Tax Support Scheme. The scheme must be approved by full Council each year.
- 1.2. The Council's scheme only affects those of working age; pensioners are protected and CLG maintain this scheme, which mirrors the former Council Tax Benefit. Details of the current scheme can be found at:
www.cheshireeast.gov.uk/benefits_housing_council_tax/council_tax_support_scheme.aspx
- 1.3. As it is now into the third year of the scheme a public consultation has been undertaken on proposed changes to the Council Tax Support Scheme for 2016/17. This review is being undertaken to identify additional savings to contribute to the Council's medium term financial challenge, whilst ensuring the scheme remains fair to residents, continues to support vulnerable people and encourages those who can work to do so, or to increase their hours and/or pay to reduce welfare dependency.
- 1.4. The Council Tax Support Scheme is intended to help those on low income/low earnings meet their Council Tax liability, reducing debt and poverty. The Council's current scheme is designed:
 - To incentivise those who can work to do so
 - To reward those who are in work, on a low wage
 - For those with capital to meet the liability
 - Encourage those on low income to downsize and move to more affordable housing (lower banded)
- 1.5. These principles are reflected in the Council's ambition to support and focus people into work, with unemployment rates dropping and the broader strategies supporting economic growth, ensuring every resident has the opportunity to work, and every business has the opportunity to thrive.

- 1.6. More and more residents are taking responsibility for their own welfare. Only 0.7% of working age residents are in receipt of Job Seekers Allowance. 1.2% of the working age population is receiving Job Seekers Allowance or is receiving Universal Credit whilst out of work¹. This is much lower than the combined rate of 1.9% for the Country as a whole, reflecting the success of the economic growth initiatives.
- 1.7. This report outlines the results of the consultation on the proposals and recommendations for changes to the Council Tax Scheme for 2016/17. The responses were mainly in support of all the recommended changes to the scheme but were very close as outlined at 5.11.
- 1.8. The responses to the questions were close with the majority not disagreeing with all of the proposals or not expressing an opinion. This would result in a saving of £900k per annum (based upon current Council Tax levels and allowances).

2. Recommendations

- 2.1. The proposed changes to the scheme for 2016/17 are:
 - a. Restrict the maximum support available to Band B (currently restricted to Band D)
 - b. Increase the minimum contribution from the current 20% to 25%
 - c. Increase the minimum award from 50p to £2 per week
 - d. Increase non-dependent deductions from £5 to £7 per week
 - e. Capital limit reduced from £10,000 to £6,000
 - f. Each year the allowances used within the calculation are increased in line with those used for Housing Benefit
 - g. Reduce the period of additional support awarded when starting work from 8 weeks back to the standard 4 weeks in Housing Benefit
 - h. Remove backdating of claims, currently a maximum of 13 weeks
- 2.2. Cabinet is requested to support these changes and recommend to Council that it approves the amendments at 2.1.

3. Other Options Considered

- 3.1. Apart from the recommended changes to the scheme outlined in Section 2, another option is to leave the scheme unchanged for 2016/17 apart from reviewing the level of allowances used in the calculation. This would not result in any additional savings.
- 3.2. A further option for Council to consider is to only implement some of the changes outlined in 2.1 resulting in less savings.

¹ www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=72

4. Reasons for Recommendations

- 4.1. A summary on the results of the consultation is detailed at 5.11 to support the recommendations, with the full responses attached as **Appendix A**.

5. Background/Chronology

- 5.1. Further to Section 1, the Council Tax Support Scheme is intended to help those on low income/low earnings meet their Council Tax liability, reducing debt and poverty. The Council's current scheme is designed:

- To incentivise those who can work to do so
- To reward those who are in work, on a low wage
- For those with capital to meet the liability
- Encourage those on low income to downsize and move to more affordable housing (lower banded)

- 5.2. The main changes introduced when the Council's current scheme was introduced were:

- All working age customers responsible for a minimum contribution of 20% of their Council Tax liability.
- Upper Capital limit reduced to £10,000 and £10 per week income assumed for every £1,000 over the £6,000 lower limit
- Awards capped to the maximum for a Band D in the area for those living in Bands E-H. A claimant living in a Band F would only receive the maximum payable to someone in Band D.
- Non-dependent deductions set to a standard £5 per week
- Minimum award of 50p per week

- 5.3. The calculation of Council Tax Support already includes additional allowances to support those households with additional requirements (pensioners are already protected – see 1.2):

- Families
- Disabled
- Carers

- 5.4. Additional protections and assistance are available to reduce Council Tax for those living in a property², including the following:

- Foster Carers
- Disabled Band Reduction³
- Severe Mental Impairment
- Carers
- Students

- 5.5. The Council also has powers to reduce liability on a case by case basis, under Section 13A⁴ of the Local Government Finance Act 1992.

² www.cheshireeast.gov.uk/council_tax/discounts_and_exemptions/occupied_property_discounts.aspx

³ www.cheshireeast.gov.uk/council_tax/discounts_and_exemptions/disabled_reduction.aspx

⁴ www.cheshireeast.gov.uk/council_tax/discounts_and_exemptions/council-tax-reductions.aspx

- 5.6. Expenditure over recent years is shown below (total covers Working Age and Pension Age claims). Following the abolition of Council Tax Benefit, from April 2013 funding received by CLG was reduced by 10% although those of pension age remain protected. Within Cheshire East, half of the current caseload are of pension age and therefore protected (currently supporting 21,025 households of which 10,610 are of working age).

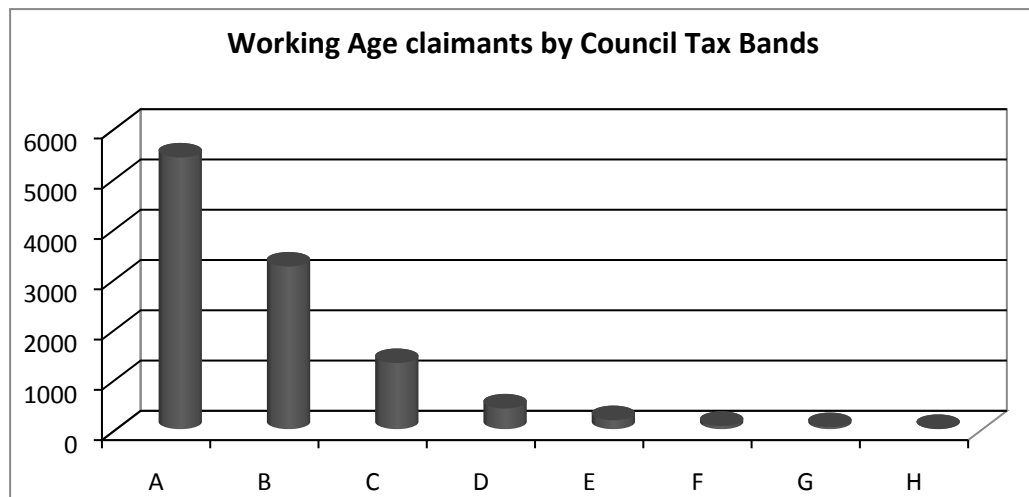
2012/13	£20,766,029
2013/14	£17,735,878
2014/15	£16,272,495
2015/16	£15,360,916 (as at 23 October 2015)

- 5.7. The New Policy Institute have recently issued a report 'Managing the challenges of localised Council Tax Support'⁵ raising the following key points:

- Schemes varied in type and the minimum payments expected of claimants. There were no obvious patterns by political control, demography or location.
- Among those local authorities choosing to bring in a new system rather than absorb the cost of their 10 per cent cut in funding for CTS, approaches varied significantly. Some opted for a transition scheme in the first year. Others felt that the schemes they had devised were the best available.
- Some councils had opportunities to recoup costs by, for instance, removing exemptions on second homes. These options are not available to all councils, but should be pursued where possible.
- There were several examples of innovative working both within councils and with the third sector to ensure that residents were informed of changes and made aware of how they would be affected.
- While many councils have so far resisted using enforcement agents or court summons for CTS debts, many now have residents with two or more years' outstanding payments. The sustainability of the current mix of scheme design on the one hand and collection and enforcement policy on the other is therefore under question.
- As it stands, it is hard to see how the many different CTS schemes can be integrated with Universal Credit

- 5.8. The following shows the number of working age households in receipt of Council Tax Support by Council Tax band:

⁵ www.jrf.org.uk/publications/council-tax-best-practice



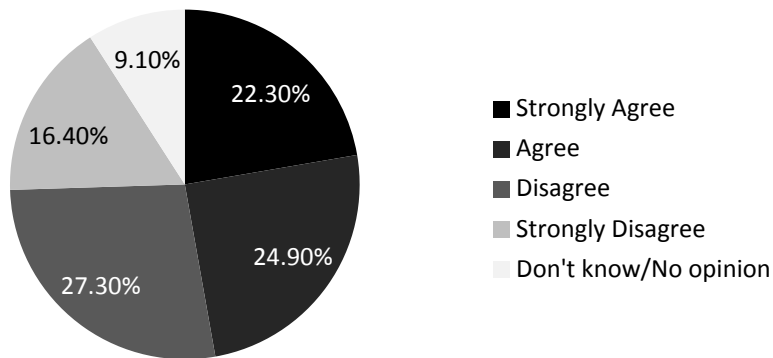
5.9. The Council consulted with the Fire Service and the Police Authority (major precepting authorities) on the proposed changes to the Scheme in August 2015. The proposed draft scheme was published on the Council's web site. The consultation was promoted on the Council's web site, press releases issued and a mail shot seeking views was sent to all current Council Tax Support recipients. Key Stakeholders such as Registered Social Landlords and representatives of Cheshire East Welfare Rights Group were also consulted.

5.10. A public consultation ran from 7 September to 25 October 2015 to seek views on the following proposed changes (affecting working age claimants only) providing details on the draft scheme.

- Restrict the maximum support available to Band B (currently restricted to Band D)
- Increase the minimum contribution from the current 20% to 25%
- Increase the minimum award from 50p to £2 per week
- Increase non-dependent deductions from £5 to £7 per week
- Capital limit reduced from £10,000 to £6,000
- Each year the allowances used within the calculation are increased in line with those used for Housing Benefit
- Reduce the period of additional support awarded when starting work from 8 weeks back to the standard 4 weeks in Housing Benefit
- Remove backdating of claims, currently a maximum of 13 weeks

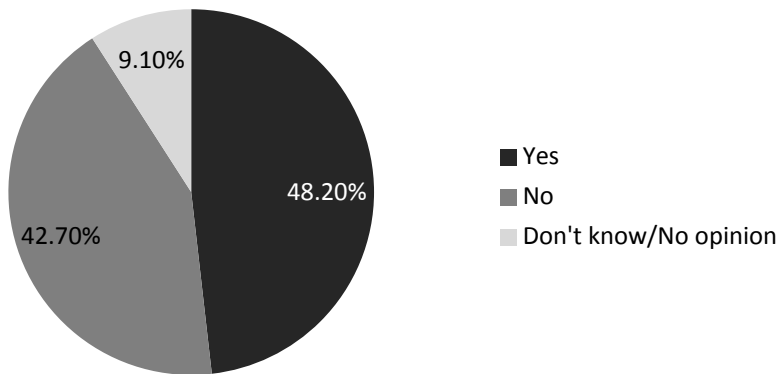
5.11. A total of 673 responses were received, 72 of which were partially completed. **Appendix A** is a summary of all of the responses and comments received.

Support should be capped to Band B

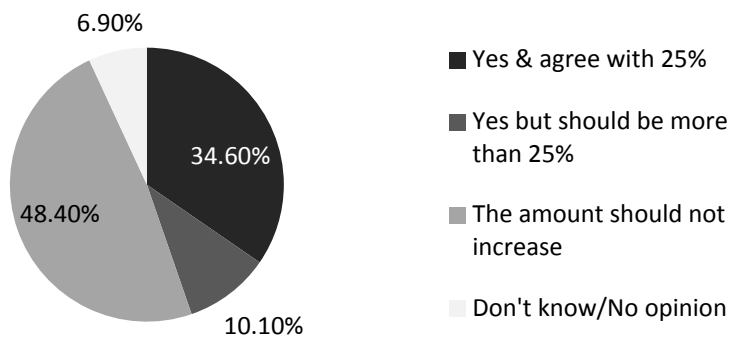


Strongly Agree/Agree: 47.2%
Strongly Disagree/Disagree: 43.7%

People with over £6,000 capital should not receive support

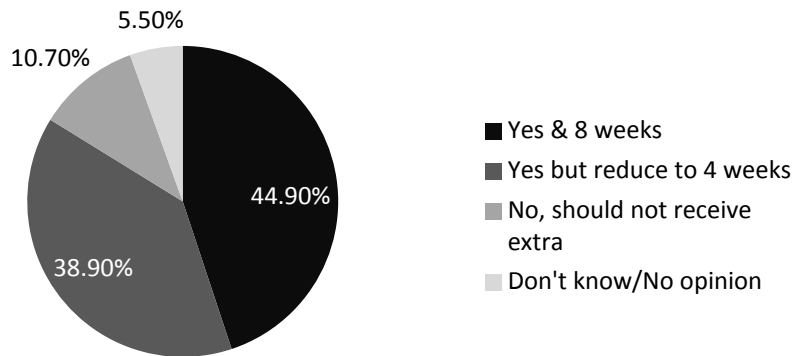


All working aged claimants should pay a minimum of 25% towards their Council Tax

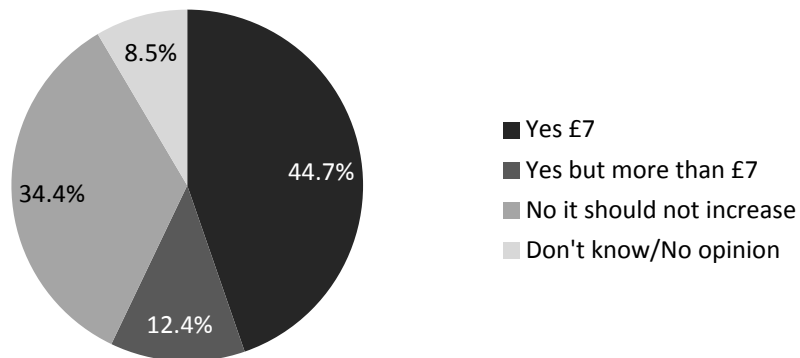


Increase to 25% or more: 44.7%
Do not increase: 48.4%

Continue to award an extra 8 weeks support when starting work

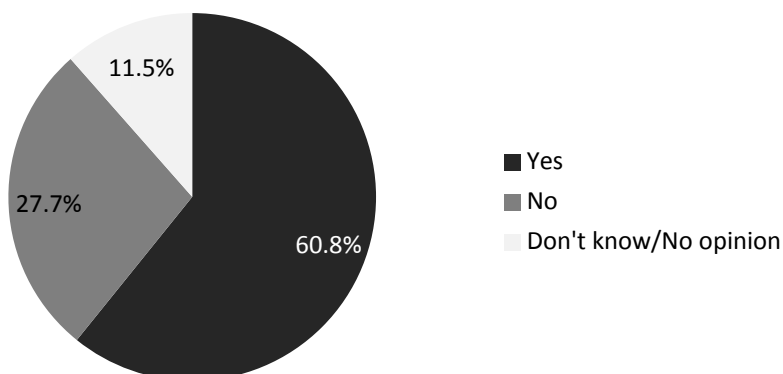


Should the non-dependant deduction increase to £7 per week?

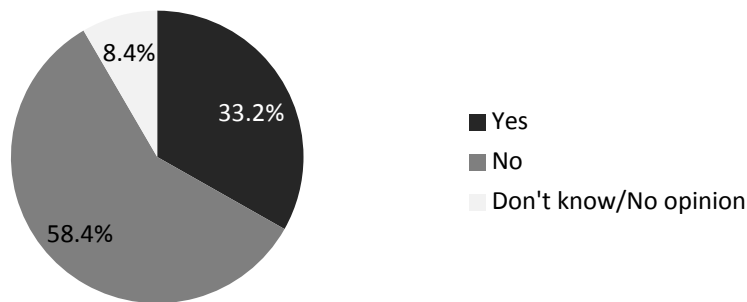


Increase to £7 or more: 57.1%
Do not increase: 34.4%

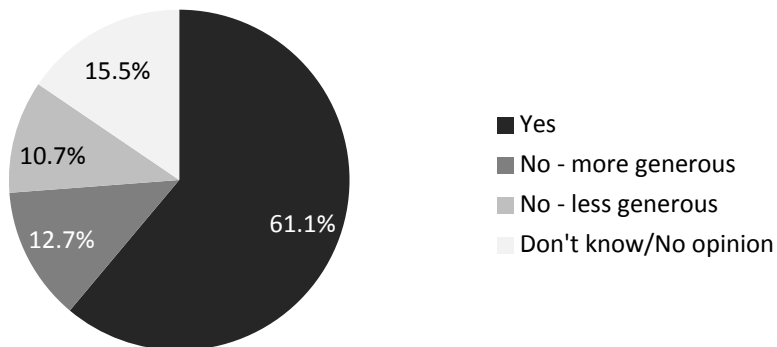
Minimum weekly award should increase from 50p to £2



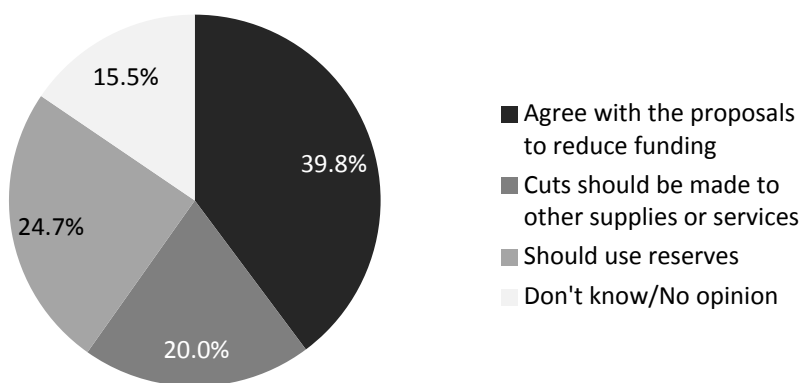
Stop backdating claims for 13 weeks where the claimant has a good reason for not claiming on time



The allowances for calculating Support should be the same levels used for calculating Housing Benefit



Views on funding the Council Tax Support Scheme



5.12. Respondents were asked for their views on which groups would be most affected by the proposed changes to the scheme. The following is a summary of the feedback of the groups raised:

- Disabled
- Mental health condition, learning disability or acquired brain injury
- Families
- Lone parents
- Vulnerable
- Unemployed
- Elderly (N.B. *not affected as the scheme is for working age only*)

5.13. The consultation invited respondents to add any other general comments concerning the proposals or any other issues. The full response will be added to the Council's website with all the results of the consultation, but the following comments were raised numerous times:

- Consider increasing Council Tax for everyone rather than targeting the poorest/most vulnerable
- Any increases should be linked to inflation

6. Wards Affected and Local Ward Members

6.1. All Wards and local Ward Members are affected

7. Implications of Recommendation

7.1. Policy Implications

7.1.1. The proposed reduction in funding of the Council Tax Support Scheme is supporting the Council's Outcomes:

- **Outcome 1** - Our local communities are strong and supportive
 - Reducing welfare dependency
- **Outcome 2** - Cheshire East has a strong and resilient economy
 - Encouraging business growth and tourism to enable those who can work to do so

7.2. Legal Implications

7.2.1. Section 13A of the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012, places a duty on the Council to make a scheme specifying the reductions to council tax for those:

- persons whom the authority considers to be in financial need, or
- persons in classes consisting of persons whom the authority considers to be, in general, in financial need

7.2.2. The Scheme must be approved by full Council by 31 January preceding the start of the financial year it relates to.

7.2.3. The Local Government Finance Act 1992 (amended) states that before making, revising or replacing a scheme the authority must (in the following order):

7.2.3.1. Consult any major precepting authority which has power to issue a precept to it,

7.2.3.2. Publish a draft scheme in such a manner as it thinks fit, and

7.2.3.3. Consult with such other persons as it considers are likely to have an interest in the operation of the scheme.

7.2.4. In exercising its decision making powers Cabinet must be satisfy its public law duties. This means that in making the decision Cabinet must take into account only relevant considerations, follow procedural requirements, act for proper motives and not act unreasonably.

7.2.5. Consultation has been undertaken in respect of these proposals. The general legal principles that must be followed when carrying out a consultation and when making a decision where consultation has taken place are well established and can be summarised as follows:

7.2.5.1. The consultation must be at a time when proposals are still at a formative stage.

7.2.5.2. The proposer must give sufficient reasons for any proposal to enable intelligent consideration and response. Those consulted should be aware of the criteria that will be applied when considering proposals and which factors will be considered decisive or of substantial importance at the end of the Consultation process

7.2.5.3. Adequate time must be given for consideration and response.

7.2.5.4. The product of consultation must be conscientiously taken into account in finalising any proposals.

7.2.6. Cabinet must satisfy itself that the consultation has been properly conducted in line with the principles above. In addition, Cabinet must ensure that it is clear of the outcomes of that consultation and therefore, as decision maker, is able to take the results fully into account when making its decision on the proposals contained in this report.

7.2.7. Whilst there is an obligation to take into account the product of consultation, the outcome of the consultation is one of a number of factors to be taken into account in making the decision. In making its decision Cabinet must both look at the outcome of the consultation was looked at and also set out the weight that was attached to it in relation to/balanced with other factors (which must be recorded as part of its decision).

7.2.8. In making its decision, Cabinet must have due regard to the Public Sector Equality Duty as set out at S149 of the Equality Act 2010, which states:

“(1) A public authority must, in the exercise of its functions, have due regard to the need to—

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it... “

7.2.9. To assist Cabinet in respect of the Public Sector Equality Duty, an equality impact assessment (7.4.1) and full health impact assessment (7.7.1) have been carried out. Cabinet must conscientiously take into account the outcome of the assessments in reaching its decision.

7.3. Financial Implications

7.3.1. The cost of the Council Tax Support Scheme has an impact on the Council Tax base. A separate report to Cabinet provides the amount to be calculated by Cheshire East Council as its Council Tax Base for the year 2016/17, for consideration and recommendation to Council.

7.3.2. The following shows the impact on Council Tax collection rates following the introduction of the Council tax Support Scheme. A change of 0.1% is broadly equivalent to £200k.

2012/13	98.23%
2013/14	98.09%
2014/15	97.92%

7.3.3. Whilst In year collection for Cheshire East has reduced marginally, collection over the longer term (2 and 3 years) is strong and in line with budget expectations which forecast collection for Council Tax to achieve 98.75% within 2 years. The table below shows the position to March 2015:

Financial Year	Total Council Tax due £M	Collection Rate 'in year' %	Current collection rate %
2009/2010	187.0	97.9	99.6
2010/2011	193.8	97.3	99.4
2011/2012	193.0	97.9	99.5
2012/2013	195.5	98.2	99.4
2013/2014	203.7	98.1	98.9

7.3.4. The tax base reflects assumptions around the Council Tax Support Scheme. Since it was introduced the cost has been monitored and an allowance for risk was added. The risks included uncertainty over the economy, the potential for a major employer to leave the area (with no alternative employment available) and lack of experience of operating the new scheme.

7.3.5. For the third year of the Scheme it was appropriate to adjust the level of payments built into the tax base calculation. At December 2014 the tax base was amended to acknowledge the original payment forecast of £17.7m plus a 33% reduction in the risk factor to £0.9m (5%) to give a CTS position of £18.6m.

7.3.6. At the end of September 2015 the forecast level of payments for the current financial year is expected to be £15.4m. Therefore, a further £1m reduction in Council Tax Support payments has been factored into the 2016/17 taxbase to reflect this decreased trend in payments being made. This gives a budget of £17.6m being estimated payments of £15.7m and a risk factor of £1.9m (assuming no change to the scheme for this purpose).

Taxbase Year	CTS Payments £m	Risk Allowance £m	Resulting CTS Budget £m
2013/14	18.2	0.7	18.9
2014/15	17.7	1.4	19.1
2015/16	17.7	0.9	18.6
2016/17 (assuming no change to CTS scheme)	15.7	1.9	17.6

Table 1 Council Tax Support Budget since the introduction of the Scheme

7.4. Equality Implications

7.4.1. A full equality impact assessment is attached at **Appendix B**.

7.5. Rural Community Implications

7.5.1. None directly identified at this stage

7.6. Human Resources Implications

7.6.1. Minimal identified at this stage. The changes can all be incorporated within the existing software and will only require an update to officers on the changes. The changes will not result in any changes to staffing levels.

7.7. Public Health Implications

7.7.1. A full health impact assessment has been completed as the health and wellbeing of Council Tax Support recipients may be affected by reducing the lower disposable family income. This is attached at **Appendix C**.

7.8. Other Implications (Please Specify)

7.8.1. The Government has announced plans for an additional £12bn reduction in welfare costs. It is therefore envisaged that many working age people in receipt of Council Tax Support will also be affected by the wider welfare cuts.

8. Risk Management

8.1. The following are the key risks identified and actions to be taken:

Council Tax Support Scheme:	
Risks	Mitigating actions
Scheme is challenged	Effective consultation undertaken and considered to inform the decision making process
Non payment where contributions are increased	Publicity and awareness of the changes in advance Clear guidance produced on the scheme Prompt recovery action before debts increase
Negative publicity – targeting those with the lowest disposable income	Advice and support offered Instalments can be spread over 12 months
Reducing disposable income may mean some people are unable to afford to rent	Scheme is an incentive to start work or increase hours/pay
Increased caseload resulting in increased cost of the scheme	Monitoring of caseload trends and liaison over potential redundancies
Increasing pensioner caseload (become eligible for maximum support of 100%) again resulting in an increased cost to the scheme	Monitoring of caseload and reporting of increasing budget
Challenge that different groups are affected disproportionately	A full equality impact assessment completed Certain groups are already protected within Council Tax administration Discretionary powers available to reduce liability on a case by case basis
The resulting changes implemented by the Welfare	The Corporate Welfare Reform Working group will co-ordinate support to vulnerable claimants

Reform and Work Bill 2015-16 ⁶ will impact on income levels for those who are low paid or dependent on Benefits. This will reduce capacity to meet Council Tax liability and also, where income reduces Council Tax Support increases (means tested) reducing the identified savings in the scheme.	and expenditure will be monitored throughout the year against the budget. Those who are able to work will be supported and encouraged to do so.
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9. Access to Information/Bibliography

- 9.1. Links to all reports and information considered are included within the report and all are in the public domain.

10. Contact Information

Contact details for this report are as follows:-

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⁶ <http://services.parliament.uk/bills/2015-16/welfarereformandwork/documents.html>