

<b>CABINET</b>	<b>AGENDA ITEM No. 9</b>
<b>25 NOVEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director Financial Services	Tel. 452520 384564

## COUNCIL TAX SUPPORT SCHEME CONSULTATION 2016/17

R E C O M M E N D A T I O N S	
<b>FROM :</b> Corporate Director Resources	<b>Deadline date :</b> 17 November 2015
It is recommended:	
<ol style="list-style-type: none"> <li>1. That Cabinet approve consultation on Peterborough's council tax support scheme 1 April 2016 – 31 March 2017 that contains the following local components: <ol style="list-style-type: none"> <li>a) No change to the existing scheme reduction of 30% for all eligible working age claimants;</li> <li>b) Align the council tax support scheme to Housing Benefit rules making it less complicated for claimants, namely to: <ol style="list-style-type: none"> <li>i. Limit backdating of council tax support to one month</li> <li>ii. Removes family premiums from all new claimants, or existing claimants who would otherwise have had a new entitlement to the premium, with effect from 1 May 2016.</li> </ol> </li> </ol> </li> <li>2. That Cabinet approve consultation on introducing a council tax discretionary hardship policy with effect from 1 April 2016.</li> <li>3. That Cabinet note the possible impact on government tax credit changes on Peterborough's council tax support scheme from 1 April 2016.</li> <li>4. That Cabinet note further changes that will need to be considered for Peterborough's council tax support scheme from April 2017.</li> </ol>	

### 1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following discussion by the Corporate Management Team (CMT), Cabinet Policy Forum and the cross party Budget Working Group.

### 2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to commence consultation for a localised council tax support scheme for the financial year 2016/17. There is a statutory requirement for the council to set a localised council tax support scheme by 31 January 2016 and forms part of the formal budget process under the Budget and Policy framework.

2.2 This report is for Cabinet to consider under its Terms of Reference Number 3.2.1 which states 'to take collective responsibility for the delivery of all strategic Executive functions within the council's Major Policy and Budget Framework and lead the council's overall improvement programmes to deliver excellent services.'

### 3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If Yes, date for relevant Cabinet Meeting	18 January 2016
Date for relevant Council meeting	27 January 2016	Date for submission to Government Dept – Communities and Local Government	31 January 2016

### 4. **BACKGROUND**

#### **Council Tax Support Scheme (CTSS)**

- 4.1 Since April 2013 council tax benefit was abolished by Government and replaced with a localised Council Tax Support Scheme (CTSS). This meant councils had to develop a local scheme, and had less funding to do so. This change mean that:
- Some people who did not have to pay any council tax will now have to pay something
  - Some people who have some help may have to pay more
- 4.2 Following extensive consultation in Autumn 2012 by the council on a localised CTSS on a range of options, the level of council tax benefit was reduced by 30% after being deemed the best option to implement with the aim of the scheme being cost neutral (i.e. the cost of local government grant reductions would be offset by changes in the benefit scheme).
- 4.3 Following further grant reductions in 2015/16, the council consulted on whether to change the scheme to 35% or 40%. Ultimately the scheme remained at 30%. The further grant reductions planned for 2016/17 will affect the grant provided for council tax support (which is now subsumed within the councils main grant – which is due to phased out by 2019/20). As such the council could consider consulting on further changes to benefit levels to mitigate this.
- 4.4 By the 31 January preceding the forthcoming financial year, the council is statutorily required to approve the council tax support scheme parameters that will be applicable, consulting on any amendments. For the financial year 2016/17, the council will need to approve a council tax support scheme by 31 January 2016.

#### **Council tax discretionary hardship policy**

- 4.5 The council can introduce a council tax discretionary hardship policy under current legislation that would operate alongside the operation of council tax. Claimants would need to meet policy eligibility criteria to qualify for a reduction in council tax.
- 4.6 The council acts responsibly in collecting council tax and recognises that in some instances people may struggle to pay their council tax. In March 2014, the council signed up to the Citizen's Advice Bureau (CAB) Collection of Council Tax Arrears Good Practice Protocol. The protocol confirms the commitment by the council to do all it can to support people struggling with debt to help them avoid becoming in arrears.

### 5. **PROPOSED CHANGES FOR CONSULTATION**

#### **Council Tax Support Scheme (CTSS) 1 April 2016 to 31 March 3017**

- 5.1 Peterborough City Council's Council Tax Support Scheme (CTSS) is based on the Council Tax Reduction Default Scheme Regulations amended each year through changes to the government regulations. Government announced earlier this year that it was proposing changes to Housing Benefit rules and tax credits. The current scheme will therefore no longer be aligned to other benefits. By aligning the council tax support scheme to Housing

Benefit rules will make it less complicated for claimants and enable an easier transition to implementing Universal Credit.

5.2 This report sets out the proposed local components to Peterborough's CTSS for financial year 2016/17 to mirror the proposed changes to Housing Benefit and would equally apply to Universal Credit namely:

- a) Maintains an overall reduction in entitlement of 30% for all eligible working age claimants
- b) Limits backdating of housing benefit to one month instead of six months
- c) Removes family premiums from all new claimants, or existing claimants who would otherwise have had a new entitlement to the premium, with effect from 1 May 2016. This change is subject to amendments being made by the supplier of the council tax IT system that the council use.

5.3 Universal Credit is being rolled out nationally which replaces a number of benefits into a single benefit called Universal Credit. This will impact the Peterborough area by 1 April 2016 and therefore the local scheme will equally apply these changes to Universal Credit working age claimants.

5.4 The government is proposing to make changes to tax credits and based on the chancellor's Summer Budget may increase costs on local schemes as follows:

- a) Tax credit taper is increasing from 41% to 48%. This will reduce people's income if in receipt of working tax credit and so will mean they may be entitled to more council tax support as a result.
- b) Reduction in benefit cap. This will reduce the income available to affected households and may affect their ability to pay council tax support
- c) Reduced tax credit disregard for in year change of circumstances. Increases in earnings are now more likely to be taken into account in-year, meaning a higher likelihood of tax credit entitlement reducing in-year. This would give people a higher entitlement to council tax support

5.5 The chancellor's Autumn Statement is expected to confirm government's approach to tax credits and what changes, if any, government will make following recent discussions in parliament. Based on the Summer Budget, the council forecasts these changes will cost the area of Peterborough £0.3m and one option would be to pass this additional cost onto claimants by amending the 30% scheme. Cabinet propose not to pass this cost onto claimants and will therefore meet this cost elsewhere as part of the overall budget setting process. The area of Peterborough council tax comprises of the city council, the Police and Crime Commissioner, the Fire Authority and Parish councils.

### **Council tax discretionary hardship policy**

5.6 In light of these amendments proposed on the local scheme and the current operation of the local scheme, Cabinet is proposing to introduce a council tax discretionary hardship policy (**Appendix 1**) with effect from 1 April 2016. Primarily the policy scheme would:

- a) Exist for those experiencing significant financial hardship
- b) For those in receipt of council tax support
- c) Is discretionary and would be subject to demonstrating that effort has been made to control finances and sought advice
- d) Would apply from the point of introduction, and not for arrears

5.7 It is suggested that any such scheme should link into the council's Peterborough Community Assistance Scheme (PCAS) arrangements. This scheme provides other support and advice to those experiencing financial hardship. It is suggested that applications are only made following an appointment with Peterborough Citizens Advice Bureau to discuss all support available. The decision will be made by the council on whether the application is successful and the level of reduction in council tax that is awarded.

5.8 Cabinet is proposing to set aside a maximum of £50,000 to cover the scheme and associated administration costs per annum.

## 6. FUTURE CHANGES TO COUNCIL TAX SUPPORT SCHEME

### Council Tax Support Scheme (CTSS) 1 April 2017 to 31 March 2018

6.1 Further changes to Housing Benefit and Universal Credit by government are expected from April 2017 and Cabinet will therefore need to consider whether to make changes to the local scheme for 2016/17. For example:

- a) Child allowances will no longer be applied for the third and subsequent children born after 6 April 2017 in claims, for child tax credit, housing benefit and universal credit, although there will be provision for 'exceptional circumstances' such as multiple births
- b) Housing Benefit element of Universal Credit removed for under 21s from April 2017. It is expected that the council tax support scheme will be amended to reflect 'classes or persons entitled to a reduction under this scheme' as being anyone who is not a pensioner and is aged 21 or over with applicable exceptions.

6.2 These changes will be consulted upon autumn 2016 including any other amendments that maybe required.

## 7. IMPACT OF THESE CHANGES

7.1 The financial impact on the council's finances of the changes outlined in this report can be seen in the table below and are based on current Cabinet discussions on council tax setting and collection rates.

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Tax credits – Summer Budget	249	259	267	277	286
Other technical changes proposed to align to Housing Benefit	0	0	0	0	0
Introduction of Discretionary Hardship Policy	50	50	50	50	50
<b>Update to budget position</b>	<b>299</b>	<b>309</b>	<b>317</b>	<b>327</b>	<b>336</b>

## 8. CONSULTATION

8.1 The proposed changes outlined in this report will having regard feedback from consultation will become Peterborough's council tax support scheme for 1 April 2016 – 31 March 2017 including an introduction of a discretionary hardship policy. Cabinet launch the consultation after 25 November 2015 and will be remain open until 25 January 2016 although Cabinet will receive an update of responses to date for their January Cabinet meeting.

8.2 An online consultation document is available to respond to the consultation and some hard copies will be made available on request in the Town Hall and Bayard Receptions and Central Library. Members' scrutiny will be undertaken as part of the scrutiny meeting set aside for phase one budget discussion. Cabinet will also write to the following organisations to raise awareness of the consultation:

- a) Peterborough Community Assistance Scheme (PCAS) Board consisting of:
  - i. Peterborough Citizen's Advice Bureau
  - ii. Kingsgate Community Church
  - iii. Credit Union
  - iv. MIND
  - v. Disability Peterborough

- vi. Age UK Peterborough
- b) Cambridgeshire Police Authority
- c) Cambridgeshire Fire Authority

8.3 Feedback from the consultation will be incorporated into recommendation by Cabinet to Council in January 2016.

## **9. ANTICIPATED OUTCOMES**

9.1 This report launches the consultation for the operational council tax support scheme from 1 April 2016 and the discretionary council tax hardship policy as part of the formal budget process outlined in the council's Major Policy and Budget Framework. The consultation responses will inform the design of the operational scheme and any financial implications arising from the final design will be factored into the medium term financial strategy.

## **10. REASONS FOR RECOMMENDATIONS**

10.1 The council is statutorily required to approve a council tax support scheme by the 31 January 2016 having had regard for the council's financial position and feedback from responses to the consultation. As part of this consultation, the council is consulting on a council tax discretionary hardship policy.

## **11. ALTERNATIVE OPTIONS CONSIDERED**

11.1 The council is statutorily required to approve a local scheme by 31 January but could choose to make no changes to the current 2015/16 local scheme. Cabinet have discussed the current 30% council tax support scheme with the cross party Budget Working Group as part of ongoing budget discussions. Options discussed were:

- One option would be to increase the 30% scheme, however this would have a negative impact on low income households with claimants having to pay more council tax.
- Another option would be to reduce the 30% scheme, however, this would require the council to find savings of up to £2.4m from elsewhere in the budget.

## **12. IMPLICATIONS**

12.1 Financial and legal implications have been considered elsewhere in this report. An equality impact assessment has been completed to assess the implications that may arise from the proposed technical changes.

## **13. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2014

The Housing Benefit (Abolition of the Family Premium and date of claim amendment) Regulations 2015 (S.I. 2015 No. 1857).

## Appendix 1 – Draft Council Tax Discretionary Hardship Policy

A person who is liable to pay council tax on a property has the right to apply to the local council for a reduction in the amount of council tax due to be paid. This is included in legislation and is stated in Section 13a of the Local Government Finance Act 1992.

The council has the power to award a discount for a period of time it thinks is reasonable and it can choose to reduce the amount of council tax payable. The Council can also decide if necessary to reduce liability to nil.

The council has the right to choose whether to use its powers on a case by case basis or it also has the right to specify a class of use. A class of use is where several people who pay council tax fall into a group because their circumstances are similar – for example; council tax payers that have had to leave their homes due to flooding.

Section 13A(1)(c) of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003) states:

*Where a person is liable to pay Council Tax in respect of any chargeable dwelling and day, the billing authority for the area in which the dwelling is situated may reduce the amount which s/he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.*

*a. The power under subsection 1) above includes the power to reduce an amount to nil.*

*b. The power under subsection 1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.*

1. This policy comes into effect from 1 April 2016.
2. An application for a reduction will not be considered from any applicant who has been prosecuted and convicted for any welfare benefit fraud, including Administrative Penalty or a Sanction in the six years prior to the application.
3. There are financial implications to awarding discounts other than those currently available under the statutory legislation, and the financial burden of Section 13A discounts has to be met through an increase in the general level of council tax for other payers.
4. As a consequence of this the council will only consider using its powers to reduce council tax liability for any council tax payer or class of payers in exceptional circumstances. The council will treat all application on their individual merits, but some or all of the following criteria must be met in each case:
  - There must be evidence of financial hardship or personal circumstances that justify a reduction in council tax liability.
  - The council tax payer must satisfy the Council that all reasonable steps have been taken to resolve their situation prior to application.
  - The customer has applied for council tax support where applicable. The localised Council Tax Support Scheme exists the ensure that those on a low income receive financial support with their council tax.
  - All other statutory discounts/reliefs have been awarded.
  - The council tax payer does not have access to other assets that could be used to pay council tax.
  - The situation and reason for the application must be outside of the council tax payer's control.
  - The amount outstanding must not be the result of wilful refusal to pay or culpable neglect.

- In the case of an unoccupied property it must not be the sole or main residence of the council tax payer, and the applicant must show that they have made reasonable efforts to sell the property or return the lease.
- Priority will be given to those applicants who are under the age of 22 and were formerly in social services care under section 20 or 31(1)(a) of the Children Act 1989.
- The council's finances allow for a reduction to be made. If the fund is exhausted, acceptance will only be in exceptional circumstances.

### **Claiming Discretionary Relief**

5. In the first instance, the council tax payer seeks advice from Peterborough Citizens Advice Bureau
6. Requests for reductions in council tax liability will be required in writing from the council tax payer, their advocate/appoints or a recognised third party acting on their behalf.
7. The application should be in such form as required by the council
8. The application should relate to the current council tax year, unless the liable person has just received an account following late valuation for previous year(s).
9. The council may request any reasonable evidence in support of an application, including a financial statement and evidence of income and outgoings
10. The applicant must agree to repay any discretionary discount believed to have been overpaid for whatever reason

### **Decision Making**

11. Decisions in respect of Section 13A applications will be recorded for transparency. Annual information regarding claims and awards will be submitted to the Chief Financial Officer.
12. Decision will be made by ..... (*Council officer*)

### **Discount Period**

13. Any award will cease either at the end of the financial year or earlier if there is a change to the council tax payer's circumstances that mean s/he is no longer entitled to the discount *or such other restrictions on time/maximum award as agreed to be the policy for the council*
14. The discount is intended as short term help. It is not the intention to award or re-award in perpetuity

### **Amount of Discount**

15. The discount will be calculated against the daily council tax liability after deducting any other reliefs, discounts and council tax support and will not exceed that figure
16. The discount to be awarded is entirely at the discretion of the council
17. Any discount will be applied to the relevant council tax account to reduce liability

### **Notification of a Decision**

18. The applicant will be notified of the decision in writing
19. The decision notice will include the reasons for the decision

20. If a discount is granted the notice will include the amount of the discount and the period for which it is granted

### **Review of Decision**

21. Under the Local Government Finance Act 1992 there is a right of appeal. In the first instance the aggrieved person must serve written notice on the council stating the grounds for the grievance.
22. Where the aggrieved person is notified in writing by the council that grievance is not well founded and s/he is still aggrieved s/he may appeal to the Valuation Tribunal

### **Fraudulent Claims**

23. If a reduction has been made as a result of a false or fraudulent claim the council reserves the right to withdraw the award thereby increasing the amount of council tax payable
24. Examples of false or fraudulent claims include, but are not limited to:
- Misrepresentation or failure to disclose a material fact, whether fraudulently or otherwise
  - Failure to notify any relevant change in circumstances, whether fraudulently or otherwise
25. Where a discount is granted, applicants are required to notify the council of any relevant changes in their circumstances that could affect the award. Examples of changes include, but are not limited to
- Change of address.
  - If the applicant or a member of the household leaves the dwelling temporarily or permanently.
  - If the applicant's or a member of their household's income or capital changes.
  - If the number and/or circumstances of others in the household changes.
  - If there is a change to any factor that caused or contributed to their hardship.
  - If hardship ends.
  - If there is any change to circumstances that were included in the application for the discount.
26. The council will consider prosecuting any applicant who makes a false statement or provides fraudulent evidence in support of an application

### **Equalities Statement**

27. The council is committed to equality and fairness. Equality is about ensuring that people are treated fairly and given fair chances. It is also about ensuring that people receive fair outcomes in the standard of service they receive from the council. This incorporates everyone, regardless of their race, gender, age, religion or belief, sexual orientation and/or disability