

CABINET	AGENDA ITEM No. 5
20 JANUARY 2014	PUBLIC REPORT

Cabinet responsible:	Member(s)	Councillor David Seaton, Cabinet Member for Resources
Contact Officer(s):	John Harrison, Executive Director Resources	Tel. 452520

COUNCIL TAX SUPPORT SCHEME 2014/15

R E C O M M E N D A T I O N S	
FROM : Executive Director Resources	Deadline date : 20 th January 2014
<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Recommends to the meeting of Full Council on 29th January 2014 that the Council Tax Support Scheme for 2014/15 should be the same as for the current year, keeping the reduction in benefit for working age claimants at 30%; and 2. Approves the adoption of the Citizen's Advice Bureau (CAB) good practice protocol for council tax collection. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following the consultation on proposals made by Cabinet on 16th December 2013.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to make a recommendation to Full Council on the Council Tax Support Scheme to be implemented in Peterborough.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 '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 programme to deliver excellent services'.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	20 January 2014
Deadline for relevant Council Meeting	31 January 2014	Date when these changes will apply from	1 April 2014

4. BACKGROUND AND CURRENT SCHEME

Background

- 4.1 Council Tax Benefit (CTB) was the means tested way of reducing the Council Tax Bill for those on low incomes. Effectively the household paid less council tax (sometimes none) and the Government paid grant to the council to cover it.
- 4.2 CTB expenditure has increased nationally from £2bn in 1997/98 to £4.3bn in 2010/11. The Government announced in the Spending Review 2010 that it would localise support for council tax making Councils responsible for local schemes and reducing the grant by 10%, saving £410m nationally in England. Councils would be responsible for determining, through their local scheme, how these savings are made. If councils do not make savings through the scheme, they will need to meet the cost of this elsewhere in their budgets. Schemes must fully protect pensioners and so the impact is met by 'working age' claimants.
- 4.3 Council Tax Benefit (CTB) became Council Tax Support (CTS) from April 2013. The Council implemented a local scheme that came into effect on 1st April 2013.

Financial Impact for Peterborough in 2013/14

- 4.4 In Peterborough there were almost 18,000 Council Tax Benefit claimants (24% of households) which cost around £12m in 2010/11. The Medium Term Financial Strategy (MTFS) approved by Council in February 2012 was based on a local scheme being adopted in 2013/14 and there being no additional pressure on the council's budget i.e. any reduction in grant would be fully met through changes in the benefit scheme, rather than cuts being made in services elsewhere across the Council.
- 4.5 The Government claimed that the reduction in funding should be around 10% of the benefit bill. However this assumed that the number of people claiming this benefit, and hence the cost of it, reduced by 2013/14. Many parts of the country, including Peterborough, were seeing costs of benefit increasing. The Council estimated that the grant reduction would see a shortfall of nearer 20%. The gap between grant and the benefit bill for 2013/14 was estimated to be £2.4m.
- 4.6 Failure to devise and implement a local scheme by 31 January 2013 would have resulted in the Department for Communities and Local Government (DCLG) 'default scheme' being used by the Council. This scheme mirrors the current CTB scheme. If this were to happen the Council and Police and Fire would have had to find the £2.4m of savings from elsewhere in their budgets.
- 4.7 In Peterborough 40% of claimants and 38% of the bill relates to pensioners. As Government legislation protects this group, the 20% loss in CTB funding has to be met by the remaining 60% of claimants. In order to achieve the strategy approved in the MTFS, this would require a reduction in benefit of 30%.
- 4.8 Cabinet approved this approach as the basis for consultation at their meeting of 24 September 2012 (the reduction was initially estimated at 35% and was consulted at this level, but changes to the grant meant this was finally 30%). The consultation also included options to fully protect groups, such as the disabled. Such protection would mean higher reductions for working age claimants to keep the scheme self-funding in line with the MTFS strategy.
- 4.9 Following Cabinet, an intensive period of public and stakeholder consultations ran for six weeks from 25 September to 5 November 2012, along with further

engagement leading up to approval by Full Council on January 30th 2013. This included:

- Residents were encouraged to 'have their say' by completing an on-line survey, copies of which were made available in hard format from The Town Hall, Bayard Place and the Libraries.
- Direct engagement with groups identified through the Equalities Impact Assessment
- The project team also engaged with Job Centre Plus where their relationship manager has informed front line staff of the proposed changes and consultation.
- Drop-in sessions were held at each of the 10 libraries where residents could ask questions and were encouraged to complete the survey.
- Benefit notification letters were also amended during the period of consultation to include an additional sheet advising customers of the changes and how they can have their say. Using this approach **6,145** separate notifications have been issued to benefit customers alerting them to the changes and giving them the opportunity to comment.
- The proposals were discussed by Sustainable Growth and Environment Capital Scrutiny Committee on 8th November 2012.

4.10 The feedback was generally inconclusive. Whilst respondents felt that Peterborough City Council should continue to support people on low income by reducing their council tax bill, there was no clear indication of any preference as to how the new scheme should be designed.

New scheme implemented for 2013/14

4.11 Given the unacceptable impact that cuts of £2.4m would have, it was agreed that a 30% reduction would be applied from 2013/14.

4.12 Analysis showed that under the new council tax support scheme there would be the following impact:

- 8,437 households who previously received 100% council tax benefit would now have something to pay
- 2,458 households will be paying more council tax than before

Examples of how this would impact during 2013/14 are outlined below

- Currently Band A council tax in the city (including Police and Fire) is £908. A household in receipt of 100% benefit would currently pay no council tax. In future they would pay 30%, or £272 per year (£5.24 per week). They would still receive £636 in council tax benefit
- Currently Band B council tax in the city (including Police and Fire) is £1,059. A household in receipt of 50% benefit would currently pay council tax of £530, and receive benefit of £530. In future they would pay an extra £159 per year (£3.05 per week), taking their total payment to £689 per year. They would still receive £371 in council tax benefit
- The average amount paid in benefit is currently £730 per year. This would reduce by £219 to £512 per year. As such the average household in receipt of benefit would pay £4.21 per week extra
- Pensioner households are protected and hence unaffected by the proposals

4.13 The original Cabinet reports in 2012/13 outlined a range of measures that the Council intended to undertake to mitigate the impact on households. The Council works in a number of areas to support people in Peterborough, covering two main areas:

- Helping people get back into work and off benefit
- Helping alleviate the impacts of poverty on individuals and households

The majority of these activities are led by the Neighbourhoods service, linking in with a number of partners across the city.

5. IMPACT OF THE NEW SCHEME AND PROPOSALS FOR 2014/15

5.1 The Council has closely monitored the impact of the new scheme in the current financial year. As we are only 9 months into the new scheme, we should remain cautious in drawing definitive conclusions. The scheme is likely to need to be monitored over several years to fully assess the impact.

5.2 The scheme received media coverage during the year, especially when individuals were summoned to court. However it should be noted that whilst the scheme has seen an overall increase in summons, the majority have been issued for those not affected by the changes, as can be seen in the figures below to the end of October:

Summons – non-CTS	6,427
Summons – CTS	5,266
total	11,693

5.3 Collection rates are being impacted, but overall not by a significant amount. Collection at the end of October for all council tax was 65.8% in the year to date, compared to 66.2% at the same stage last year. The collection rate is currently lower for household paying for the first time, many of these households are now paying through instalments during the year, and the lower collection rate in part reflects issues earlier in the year when some of these households did not fully appreciate the impact of the new arrangements and the need to start paying council tax.

5.4 The process of collecting council tax from these households (and indeed all households) continues. The Council continues to encourage those who may encounter difficulty in paying to get in touch as soon as possible. Where households have ignored reminders and not been in touch, then further recovery action will be taken.

5.5 The comments above focus more on the collection process, and it recognised that there may be an impact on individual households. Measures that the Council would undertake to support households were outlined in the Cabinet reports last year (and are summarised in 4.13 above). Currently it does not appear that there is evidence of households presenting themselves elsewhere in the council and requiring services or support as a result of the local scheme. The Council will continue to monitor this, especially in light of wider changes to welfare benefits.

5.6 The Council needs to revisit and approve its local scheme every year. In doing so the council needs to consider several key issues:

- What is the forecast cost of CTSS, and how has it changed ?
- Is the level of funding available still the same as expected ?
- Should the principle of the scheme being cost neutral still be maintained ?

5.7 Current figures indicate that there is a small reduction in the cost of council tax support. This is however offset by additional grant reductions announced during this year. As such Cabinet proposed at its meeting of 16th December that the local scheme remains as it is, with the level of CTS reduction remaining at 30%. A short consultation was then undertaken on this proposal (and indeed remains open).

6. CONSULTATION APPROACH AND FEEDBACK

6.1 As Cabinet was not proposing to change the local scheme, the consultation is being run as follows.

- Comments and feedback invited from the public
- The key stakeholders who were targeted last year will be contacted again to seek feedback on the scheme so far

6.2 So far the Council has not received comments from the public. The consultation remains open right through to 27th January 2014, to enable the maximum time for people to comment. Updates will be provided at the Cabinet and then Council meeting as necessary.

6.3 The Council has also contacted the following organisations directly, given that their roles mean they are likely to come into contact with those affected by the changes

- Citizen's Advice Bureau (CAB) Peterborough
- DIAL
- Peterborough Council for Voluntary Service (PCVS)
- Cross Keys Homes
- Groups identified from the Equalities Impact Assessment

6.4 The detailed response provided by CAB is included in **Appendix 1**. This outlines support for the Cabinet proposals. A number of helpful comments relating to council tax and collection are also raised and responded to in the following section.

7. PROPOSED SCHEME FOR 2014/15

7.1 In reviewing the scheme, it is clear that the financial challenges for the Council remain exactly the same, and it would not be possible to reduce the benefit cut and make the reductions in funding elsewhere without having a far greater impact on vulnerable people.

7.2 There is no consultation feedback calling for changes to the scheme. As such it recommended that the Council does not amend the scheme for next year, and leave it as it stands. A summary of the scheme is included in **Appendix 2**.

7.3 The feedback received from the CAB included a number of helpful comments relating to council tax collection, including use of Bailiffs. Some initial responses from the Council are outlined below:

- We meet regularly with the bailiff's we use to ensure they adhere to their agreed code of conduct. If a bailiff's conduct is found to be unprofessional then we can remove them from our use. That has not been the case to date. The fees that are charged are in line with standard fees, we are not aware of any illegal or excessive fees being charged in Peterborough.
- The Council has a direct line available for those customers referred via Peterborough Community Assistance Scheme (PCAS) who are struggling to pay their Council Tax and we will always look to make arrangements to pay where possible for all customers.

- The Council has recently undertaken a major channel shift project carried out over the summer as part of the launch of the on-line benefit claim form. We worked with third sector agencies in Peterborough, to ensure that there were no detrimental effects and as such achieved 100% channel shift.

7.4 The CAB have also shared with the Council the code developed by the CAB in conjunction with the LGA. A copy is included in **Appendix 3** (PDF doc). The Council takes its responsibility to help customers who are struggling to pay seriously and continue to strive to do this whilst balancing our responsibility to collect Council Tax. Much of the practice outlined in the CAB/LGA code is already in place. To demonstrate the Councils continued commitment in this area, it is proposed that Cabinet adopt this code.

8. REASONS FOR RECOMMENDATIONS

8.1 The regulations require Full Council to approve the new Council Tax Support scheme. Any alternative to the proposed reduction in benefit would leave the Council facing significant additional costs.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 The options available to the council are:

1. Do nothing

If the Council does nothing then the CTS scheme for 2014/15 will remain exactly the same as the scheme for 2013/14 and will not reflect the legislative changes applied to other benefits under welfare reform and the annual uprating applied to benefits by central government.

2. Keep the current scheme but reflect annual uprating

To reduce all CTB equally - as the Government has made clear that pensioners must be protected, the 30% reduction applied in 2013/14 is necessary in 2014/15 to meet the funding shortfall but the council will apply annual uprating as determined by central government. This is the recommended option

3. Somewhere in between – a lower than 30% reduction

As with the option to 'Do Nothing', absorbing any deficit from a shortfall in funding will impact on the services that the Council currently delivers, but would mean a lesser impact on benefit recipients.

10. IMPLICATIONS

10.1 Elected Members

Further to this Cabinet meeting, this proposal will be presented to Full Council on 29th January 2014 and all Elected Members will be asked to approve the scheme. As a recommendation to Council, the Cabinet decision is not subject to call-in.

Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

10.2 **Financial**

The financial implications are outlined in detail in section 4 of this report

10.3 **Legal Implications**

The introduction of the localised Council Tax Support Scheme is as a result of the Local Government Finance Bill 2012, and a local scheme must be implemented by the end of January prior to the relevant financial year.

10.4 **Human Resource Implications**

The introduction of Council Tax Support has led to an increase in the number of customers who contact the council. These contacts are managed by Serco who have been involved in the process throughout.

10.5 **Risk Management**

The change from Council Tax Benefit to Council Tax Support presents a risk for the council and the precepting authorities (Fire & Police), as in future they will have to meet the financial impact of any increased demand and lower council tax collection rate. The council and its precepting partners will need to closely monitor local social and economic changes, and factor the impact into the financial planning.

10.6 **Equality and Diversity**

An initial and full Equalities Impact Assessment (EIA) together with an action plan was developed and published on the website as part of the considerations initially in 2012

11. **BACKGROUND DOCUMENTS**

11.1 **Link to supporting documents**

DCLG – Localising Council Tax Support:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

Council Report – 30th January 2013

<http://democracy.peterborough.gov.uk/documents/s13498/Cabinet%20-%20Council%20Tax%20Support%2021st%20Jan.pdf>

Appendix 1 – consultation response from CAB

Dear Councillor Seaton

Thank you for giving me the opportunity to comment on the Councils proposals for the Council Tax Support Scheme for the coming fiscal year.

At Citizens Advice we are broadly in favour of reforming welfare to make claiming benefits simpler and improve work incentives. We have a unique insight into the many problems people face and see the issues that people may have with struggling to manage a very tight budget, not having access to a basic bank account, not knowing where to go for support or not having access to a computer or a fast internet connection. We can only provide the overall support our clients need through strong partnerships with the local authority and it is an incredibly important time for CAB and the City Council to be working together proactively.

We acknowledge and understand the financial pressures all local authorities are under to fulfil their statutory obligations and in addition provide meaningful services to local residents and this pressure will grow year on year unless there is a policy change from Government; to that end we support the proposal that the scheme for 2014/15 be continued on the same basis as the current year with CTS reduction remaining at 30%

However we have concerns that the Council may be passing debts to bailiffs too quickly and Serco are not doing enough to support those who are struggling to pay; figures released from the Money Advice Trust reveal local authorities referred 1.8 million debts to bailiffs in the past 12 months. Half of people we at CAB help with bailiff problems are families with children; a bailiff turning up at the doorstep of your home is frightening for children and families. Evidence from CAB has found private bailiffs frequently overstate their powers, act aggressively and bump up debts by levying excessive and illegal fees and charges; so exacerbating the debt problems being faced and the knock on effect to health, work and family life.

The move from council tax benefit to the localised support scheme has meant that fewer people who are on a financial knife-edge will get help with their bills, and puts more people at risk of bailiff action. We want the Council to agree to try to avoid the use of bailiffs by supporting those who are struggling by such means as offering a different day to pay, sorting out suitable repayment plans and proactively putting them in touch with debt charities like CAB which could keep the bailiffs at bay. We all have a duty to protect and support the people who live in our communities and we need to recognise and understand the current squeeze on household finances. If a family is struggling to pay their council tax bill it is quite likely they are battling other bills too; it should be an alarm bell that people and families need help.

We would like to call on Peterborough City Council to sign up to the revised CAB/LGA good practice protocol on council tax debts. The protocol includes commitments such as promoting help that's available to those who are struggling and highlighting different payment date options for council tax payers so they can budget more effectively. A copy of the code is attached.

To conclude we at CAB will continue to work constructively with the local authority and our PCAS partners to ensure the best possible service is provided for the people that need it in our city.

Regards

Keith Jones

Chief Executive

Appendix 2 – Summary of Council Tax Support Scheme

This appendix summarises the changes to the default regulations that the Council will make for its local scheme. The full regulations, including the updates, is included in **Appendix 3**. It is expected that the following changes are those needed for the local scheme.

Peterborough City Council's Council Tax Support Scheme will be based on the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012. The Secretary of State makes these Regulations in exercise of the powers conferred by section 113(2) of, and paragraph 4 of Schedule 1A to, the Local Government Finance Act 1992(1).

Peterborough City Council's Council Tax Support Scheme will contain the following two local components:

1. An overall reduction of 30% from all working age claimants

Peterborough City Council's Local Council Tax Support Scheme will show a 30% reduction in support for all working age claimants under:

PART 7

Maximum council tax reduction for the purposes of calculating eligibility for a reduction under this scheme and amount of reduction

28. Maximum council tax reduction under this scheme: persons who are not pensioners

2. Treatment of Income from War Pensions/Armed Forces Compensation Scheme

The existing council tax benefit regulations instruct Local Authorities to disregard the first £10.00 and permits them the discretion to disregard up to 100% of any income received from the following:

- Armed Forces Compensation Scheme
- War Disablement Pension
- War Widows Disablement Pension
- War Widows Pension

Peterborough City Council's Local Council Tax Support Scheme will also update the following Schedules to reflect that the existing local policy of disregarding 100% of this income from the benefit calculation continues:

Schedule 7 – Sums disregarded in the calculation of earnings: persons who are not pensioners

Schedule 8 – Sums disregarded in the calculation of income other than earnings: persons who are not pensioners

The detailed scheme can be found at the following link from last year's Council Report. The Council will update the scheme for any legislative updates from Government, and for the annual uprating of other benefits:

<http://democracy.peterborough.gov.uk/documents/s13394/5.%20APPENDIX%20%20-%20detailed%20scheme.pdf>

NB: The 30% reduction continues to only affect working age claimants, not Pensioners.