

CABINET	AGENDA ITEM No. 10
7 NOVEMBER 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
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COUNCIL TAX SUPPORT SCHEME CONSULTATION

R E C O M M E N D A T I O N S	
FROM : Corporate Director Resources	Deadline date : 16 November 2016
<p>That Cabinet approve consultation on Peterborough’s Council Tax Support Scheme 1 April 2017 – 31 March 2018 that contains the following local components:</p> <p style="margin-left: 40px;">a) No change to the existing scheme reduction of 30% for all eligible working age claimants, and;</p> <p style="margin-left: 40px;">b) Aligns the Council Tax Support Scheme to Housing Benefit rules making it less complicated for claimants.</p>	

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 2017/18. There is a statutory requirement for the council to set a localised council tax support scheme by 31 January 2017 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?	YES	If Yes, date for relevant Cabinet Meeting	16 JANUARY 2017
Date for relevant Council meeting	25 JANUARY 2017	Date for submission to Government Dept – Communities and Local Government	31 JANUARY 2017

4. BACKGROUND

4.1 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. The council is obliged to consult on the local scheme for the

forthcoming financial year (2017/2018). This report outlines the local components of the scheme that the council could consult upon.

- 4.2 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
- 4.3 From 1 April 2013, the council introduced a scheme whereby council tax benefit would be reduced by 30% for working age claimants at an estimated overall cost of £2.4m. The 30% reduction has remained the same since its introduction.
- 4.4 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, although pensioners remain protected under current government policy.
- 4.5 A one per cent increase or decrease in the scheme is approximately £75k per annum. Currently council tax support payers now pay an average of £228.00 more and a one percent increase or decrease would amend this amount by £7.60. Since the introduction of the scheme there has been a sharp increase in the number of households being issued with court summons which adds an additional cost of £75.00 and if referred onto enforcement action a further £235.00 of costs and the possibility of a further £110.00 if goods are removed. These costs are paid off first before recovery of council tax.
- 4.6 The estimated settlement funding assessment reduction in 2017/18 is a further £6.4m or 9.8%. Scaling proportionately the original roll in of the council tax support scheme into the settlement funding assessment, it is estimated that the council tax support component has decreased by £3.3m since 2013/14 (36%). The scheme has remained at 30% during this time with savings having to be made elsewhere. If the scheme were to reduce from 30% to 25% the council would require to find an additional £375k of savings from the budget.
- 4.7 Claimants have been reducing year on year, the caseload in June 2013 was 11,435, in April 2014 10,760, April 2015 10,497 and by April 2016 was 10,198 cases. This is positive for the council as either these claimants now pay more council tax or have left the area.
- 4.8 The council is proposing no change to the existing scheme reduction of 30% for all eligible working age claimants in the context of the content within this report.
- 4.9 The council introduced a discretionary council tax hardship policy under current legislation that operates alongside the operation of council tax. Claimants need to meet policy eligibility criteria to qualify for a reduction in council tax. This report provides an update on this policy and utilisation of the policy since its introduction.

5. PROPOSED CHANGES FOR CONSULTATION

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

- 5.1 Government announced last year that it was proposing changes to Housing Benefit rules and tax credits with some further amendments not being effective until April 2017. Last year the council introduced amendments to the council tax support scheme to align the scheme with changes that were introduced this financial year. By continuing to align 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. The following changes are the current proposed government known changes that the council is anticipating:

- 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. This amendment is to help government with welfare budget savings.

The council is proposing to continue to align with housing benefit changes and will therefore not see an increase in council tax support expenditure.

- b) Housing Benefit element of Universal Credit removed for under 21s from April 2017. It is expected that there may be exceptions to this change, for example:
- Vulnerable young people
 - Those who may not be able to return home to their parents
 - Parents
 - Those in work for six months prior to making a claim

It is difficult to analyse the impact on these claimants as there may be a large number of claimants that could be excluded dependent on how government implement this change and any exclusions. At this stage, it is assumed that this amendment would be negligible on council tax support.

- 5.2 In addition, the council is proposing to maintain an overall reduction in entitlement of 30% for all eligible working age claimants.

Council tax discretionary hardship policy

- 5.3 The council implemented a discretionary council tax hardship policy on 1 April 2016 for those in genuine financial difficulty, setting aside a budget to administer the scheme via Peterborough Citizen Advice Bureau and providing financial relief if certain criteria were met, namely:

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

- 5.4 To date there have been very few referrals from Peterborough Citizen Advice Bureau (CAB) and have not had any other clients requesting support to apply for hardship relief. The council tax and recovery teams regularly signpost clients to the CAB to seek debt management advice and refer to their role administering the council's hardship policy where appropriate.

- 5.5 However, CAB would like to review and comment on the scheme operation. Given the policy has only been in place since April, the feedback requested from CAB and any other interested parties on its operation and the introduction of Universal Credit, it is recommended that the policy is maintained for 2017/18 at existing levels.

- 5.6 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.

6. IMPACT OF THESE CHANGES

- 6.1 An initial assessment of revenue implications does not identify any direct financial implications.

7. CONSULTATION

- 7.1 The proposed changes outlined in this report will have regard of feedback from consultation will become Peterborough's council tax support scheme for 1 April 2017 – 31 March 2018 including an introduction of a discretionary hardship policy. Cabinet launch the consultation after 7 November 2016 and will remain open until 13 January 2017 although Cabinet will receive an update of responses to date for their January Cabinet meeting.
- 7.2 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 including stakeholder consultation meetings.
- 7.3 Feedback from the consultation will be incorporated into recommendation by Cabinet to Council in January 2017.

8. ANTICIPATED OUTCOMES

- 8.1 This report launches the consultation for the operational council tax support scheme from 1 April 2017 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.

9. REASONS FOR RECOMMENDATIONS

- 9.1 The council is statutorily required to approve a council tax support scheme by the 31 January 2017 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.

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 The council is statutorily required to approve a local scheme by 31 January but could choose to make no changes to the current 2016/17 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.

11. IMPLICATIONS

- 11.1 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.

12. BACKGROUND DOCUMENTS

- Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)
- 12.1 The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015.