

**Report of Assistant Chief Executive (Citizens and Communities)**

**Report to Council**

**Date: 11 January 2017**

**Subject: Local Council Tax Support scheme 2017/18**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Appendix number:		

**Summary of the main issues**

- 1 Council Tax Benefit was abolished 31st March 2103 and local Council Tax Support schemes came into effect form 1st April 2013. Each year the Council must agree a local Council Tax Support scheme. This needs to be done by 31st January each year and failure to propose, consult upon and agree a scheme by 31st January in any year will see the previous year's scheme rollover into the next year.
- 2 On 22<sup>nd</sup> June 2016, the Executive Board received a report providing information about the forecast costs of the current scheme and the potential for Government-driven welfare reforms to add costs to local schemes while driving down the Government's own costs. Executive Board agreed to carry out a public consultation on a proposed scheme that would better align the scheme with Universal Credit and limit increases in scheme costs in the future. The main route for limiting increases in scheme costs would be by replacing the scheme of protections for certain groups with a discretionary hardship scheme instead.
- 3 A consultation exercise ran for 8 weeks from 26<sup>th</sup> August 2016 to 21<sup>st</sup> October 2016 on a draft scheme that:
  - 1) Aligns the calculation of Council Tax Support with the Government's Universal Credit scheme;
  - 2) Transfers customers onto the new scheme at the point they move onto Universal Credit
  - 3) Replaces the scheme of automatic protections with a discretionary hardship scheme
  - 4) Moves eligible customers off the scheme of automatic protections when they move onto Universal Credit
  - 5) Aligns the treatment of changes in Council Tax Support with the treatment of changes within Housing Benefit
- 4 In December 2016, the Executive Board received a report on the outcome of the consultation and agreed to recommend to Council the adoption of a Council Tax Support scheme as recommended in the attached report to Executive Board.

## **Recommendations**

1. Members are asked to adopt a local Council Tax Support scheme for 17/18 as set out in the attached report to Executive Board. Specifically, members are asked to adopt a scheme that:
  - a) Replaces the current Council Tax Support scheme with a Council Tax Support that is aligned with Universal Credit as set out in appendix B of the attached report;
  - b) Moves customers onto the new scheme when they are due to transfer to Universal Credit and maintains the current scheme in the meantime;
  - c) Replaces the scheme of automatic protections with a discretionary hardship scheme with the exception of customers in receipt of Armed Forces Compensation Payments;
  - d) Moves eligible customers off the scheme of automatic protections when they are due to transfer to Universal Credit
  - e) Delegates the design and value of the discretionary hardship scheme to the Assistant Chief Executive (Citizens and Communities) with a requirement that the hardship scheme is taken to Scrutiny Board
  - f) Aligns the treatment of changes in Council Tax Support with the treatment of changes in Housing Benefit
  - g) Delegates the development of an operational policy for the treatment of fluctuating income to the Assistant Chief Executive (Citizens and Communities).
2. If Full Council supports the adoption of the proposed scheme, the decision will be implemented by the Assistant Chief Executive (Citizens and Communities) and will take effect from 1 April 2017. Implementation will commence as part of the 17/18 annual billing process in order for the new Scheme to be effective from 1 April 2017.

### **1. Purpose of this report**

- 1.1 The report sets out a recommended local Council Tax Support Scheme for adoption by Council in 2017/18. The scheme will operate for the 17/18 financial year and would continue each year thereafter until the Council adopts a different scheme.

## 2. Background information

- 2.1. Regulation 10(1)(2) of the Local Government Finance Act 2012 requires that each billing authority must put in place a Council Tax Reduction scheme. The deadline for adopting a scheme is set by regulation 4(6) of Schedule 1A to the Act which states that a default scheme will apply where billing authorities fail to adopt a scheme. The default scheme would be the previous year's scheme.
- 2.2. In 2013/14, the Government provided separate grant funding of £49.201m towards the cost of the local Council Tax Support scheme in 2013/14 with the funding proportionately split between the council and the major precepting authorities. Since 2014/15, funding has been incorporated into the Government's overall Financial Settlement to the council which has seen significant reductions over this time.
- 2.3. Prescribed Regulations are in place, which mandate that pension age claimants continue to receive the level of support that they would have received under the Council Tax Benefit Scheme.

## 3. Main Issues

- 3.1. Following approval by Executive Board, a consultation exercise was undertaken to seek views on a proposed new scheme of Council Tax Support for 2017/18. In December 2016, the Executive Board received a report on the outcome of the consultation exercise. A detailed report on the outcomes of the consultation can be found at appendix A to the attached report.
- 3.2. The consultation exercise focused on changes to the Council Tax Support scheme that would better align the scheme with Universal Credit and also replace the scheme of automatic protections with a discretionary hardship scheme. The key points of the proposed scheme are:
  - The proposed Council Tax Support scheme will base Council Tax Support on the Personal Allowances used in Universal Credit.
  - All benefit income (including Universal Credit) is disregarded when working out Council Tax Support. This means that where a customer is entitled to maximum Universal Credit they will get the maximum Council Tax Support available (for most people this is currently 75% of their Council Tax liability)
  - For customers who are entitled to less than the maximum Universal Credit, their CTS will be based on their *non-benefit income*
  - Non-dependent deductions will no longer be part of the Council Tax Support scheme. This is because they are already taken into account in the Universal Credit assessment
  - Similarly, the Council Tax Support scheme will not make any allowances for other factors such as the number of children in a household, whether childcare costs are incurred or where there is a disabled person in the household. Again, this is because these factors are taken into account in the Universal Credit assessment.

Appendix C of the attached report provides a more detailed analysis of the impact of having a scheme based around the Universal Credit assessment.

- 3.3 Alongside the proposal to adopt a scheme that bases Council Tax Support around the Universal Credit assessment, the consultation included a proposal to replace the scheme of protections with a discretionary hardship scheme. Under the current scheme, the following groups are protected from reductions in their Council Tax Support:
- customers who qualify for a severe or enhanced disability premium;
  - lone parents with a child under 5
  - customers in receipt of a War Widow(er)s Pension or War Pension
  - carers
- 3.4 The key points of the proposed scheme in relation to the removal of protections are:
- the scheme of protections would be replaced by a discretionary scheme targeted at those who would be least able to cope following the proposed changes; and
  - current protections for individual cases would be removed only when the customer has moved onto Universal Credit. This is because analysis shows that a number of customers with a disability will be better off under Universal Credit. Some, however, will be worse off under Universal Credit – though not at the point of transfer to Universal Credit under transitional protection rules – and the discretionary scheme is intended to help in a number of these cases.
- 3.5 The recommended scheme will reduce the overall costs of Council Tax Support by more than £4.6m a year. However, this reduction will not be fully realised until the full roll out of Universal Credit which is now expected to take until 2022 to complete. In the meantime, and assuming caseload numbers stay broadly the same, costs of the scheme will continue to increase. The estimated reduction will also be offset to some degree by the funding required for a discretionary hardship scheme.

## **Corporate Considerations**

### **4 Consultation and engagement**

- 4.1 A public consultation ran for 8 weeks from 26<sup>th</sup> August 2016 to 21<sup>st</sup> October 2016. A summary report of the findings can be found at appendix A of the attached Executive Board report along with a copy of the consultation documentation and questions.

### **5 Equality and Diversity / Cohesion and Integration**

- 5.1 An Equality Impact Assessment has been undertaken and published.

### **6 Council Policies and City Priorities**

- 6.1 The local Council Tax Support scheme plays a key element in tackling poverty and deprivation. The scheme has developed over the years and now includes a wider offer of advice and personal support designed to:
- provide accessible and integrated services;
  - help people out of financial hardship; and
  - help people into work.

- 6.2 The recommended scheme recognises the need to better balance the support that different groups need to meet Council Tax liabilities with the wider implications arising from the roll out of Universal Credit.

## **7 Resources and Value for Money**

- 7.1 The recommended scheme will, over time, reduce the costs of the scheme and the costs of administration. The report sets out a scheme recommendation that introduces simpler claim and administrative processes, replaces automatic protections with a discretionary scheme and sees the scheme aligned with Universal Credit and the wider welfare system in such a way that allows the scheme to absorb potential future Government welfare reforms without impacting on costs.
- 7.2 The reductions in proposed scheme costs will be offset to some degree by the value of the discretionary hardship scheme. It is recommended that the value and design of the discretionary hardship scheme is delegated to Assistant Chief Executive (Citizens and Communities) and that the scheme is taken to Scrutiny Board (Citizens and Communities) as recommended in that Board's report on the development of a Council Tax Support scheme.

## **8 Legal Implications, Access to Information and Call In**

- 8.1 Councils are required to confirm existing scheme or adopt a new local schemes by 31<sup>st</sup> January each year and in order to do so need to undertake meaningful consultation with major precepting authorities, the public and groups with an interest in the scheme design. The outcomes of the consultation process are reported elsewhere in this report.

## **9 Risk Management**

- 9.1 The main risk arising from the recommended scheme relates to the timescale for delivery of the costs reductions. The scheme is dependent to a considerable degree on the roll out of Universal Credit. Universal Credit went live in Leeds in February 2016 for a limited group of claimants, mainly single people with no dependents amongst other things. The wider roll out of Universal Credit is expected to take effect in Leeds from the summer of 2018 and to be completed nationally by 2022. However, Universal Credit has already been subject to delays and there remains the possibility that there could yet be further delays. In this event, it would take longer still to deliver the costs reductions in the scheme.
- 9.2 To help mitigate this risk, and in line with Scrutiny Board recommendations, it is proposed to bring a further report to Executive Board in 2018 with more information about the roll out of Universal Credit and options for reducing scheme costs.
- 9.3 All schemes remain at risk of costs pressures caused by increases in caseload.

## **10 Conclusions**

- 10.1 The need to balance costs of supporting customers with their Council Tax, addressing the financial pressures faced by the Council and responding to wider welfare reforms, means that Council Tax Support schemes costs need to be carefully monitored. The roll out of Universal Credit provides an opportunity to put in place a Council Tax Support scheme that a) builds on the changes made since Council Tax Support was localised in

2013 and b) develops a scheme that better reflects the implications of the wider roll out of Universal Credit. In particular, Universal Credit provides an opportunity to review the automatic scheme of protections to better reflect gains made by some customers under Universal credit and to introduce a simpler scheme for customers and administrators alike.

- 10.2 The proposal to replace the automatic scheme of protections with a discretionary scheme, offers the opportunity to support those who are most affected by the changes. The timescale for the replacement of the automated scheme of protections allows more time for customers to make adjustments.

## **Recommendations**

Members are asked to adopt a local Council Tax Support scheme for 17/18 as set out in the attached report to Executive Board. Specifically, members are asked to adopt a scheme that:

- a) Replaces the current Council Tax Support scheme with a Council Tax Support that is aligned with Universal Credit as set out in appendix B of the attached report;
- b) Moves customers onto the new scheme when they are due to transfer to Universal Credit and maintains the current scheme in the meantime;
- c) Replaces the scheme of automatic protections with a discretionary hardship scheme with the exception of customers in receipt of Armed Forces Compensation Payments;
- d) Moves eligible customers off the scheme of automatic protections when they are due to transfer to Universal Credit
- e) Delegates the design and value of the discretionary hardship scheme to the Assistant Chief Executive (Citizens and Communities) with a requirement that the hardship scheme is taken to Scrutiny Board
- f) Aligns the treatment of changes in Council Tax Support with the treatment of changes in Housing Benefit
- g) Delegates the development of an operational policy for the treatment of fluctuating income to the Assistant Chief Executive (Citizens and Communities).

If Full Council supports the adoption of the proposed scheme, the decision will be implemented by the Assistant Chief Executive (Citizens and Communities) and will take effect from 1 April 2017. Implementation will commence as part of the 17/18 annual billing process in order for the new Scheme to be effective from 1 April 2017.

## **Background documents**

*None*

*Appendix A: Report to Executive Board, December 2016.*