

Subject:	Council Tax Reduction Review		
Date of Meeting:	5th December 2013 Council 12 th December 2013		
Report of:	Executive Director of Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The council introduced a local Council Tax Reduction scheme from 1 April 2013 as a result of national changes localising the previous council tax benefits system. Under legislation the local Council Tax Reduction scheme must be reviewed each year. The purpose of this report is to set out that review and the resulting recommendations.
- 1.2 For 2014/15, it is not proposed to make any changes to the existing scheme. The reductions in funding in 2014/15 that the council is receiving from central government to pay for the local Council Tax Reduction scheme will be absorbed by the council and not passed on to those in receipt of support. Consequently, the Council Tax Reduction scheme as agreed at Full Council on 13th December 2012 shall continue to apply for the period 1st April 2014 to 31st March 2015.

2. RECOMMENDATIONS:

That Policy & Resources Committee:

- 2.1 Notes analysis undertaken on the implementation and operation of the Council Tax Reduction scheme in 2013/14 including the feedback from consultation.
- 2.2 Recommends to Council the proposed Council Tax Reduction scheme for 2014/15 which is unchanged from 2013/14.
- 2.3 Notes that the Executive Director Finance & Resources will, prior to 1st April 2014, exercise her delegated powers to increase the appropriate calculative elements of the scheme, to give effect to national changes.
- 2.4 Recommends to Council that the discretionary element of the scheme budget be set at £100,000 recurrently whilst maintaining one-off resources of £100,000 to top it up if necessary.

- 2.5 Grants delegated authority to the Executive Director Finance & Resources to continue to commission an independent money advice service for people who claim Council Tax Reduction for 2014/15.

3. CONTEXT / BACKGROUND INFORMATION

- 3.1 The Government abolished Council Tax Benefit (CTB) from April 2013 and required councils to create their own schemes with a reduction in funding available for those schemes. Locally this reduction in funding was £2.8million.
- 3.2 The Government did not prescribe how schemes should be set for working people but protected people of pensionable age at equivalent levels of entitlement to that which they would have been entitled to under the old CTB scheme.
- 3.3 The council undertook significant and broad informal consultation when considering the options it had in developing its own scheme. This included informal consultation with members of the Community and Voluntary Sector Forum to scope out early ideas and once a set of proposals were developed formal consultation was undertaken. The scheme and the programme of work were called to the Overview & Scrutiny Committee prior to the final decision on the scheme being made. The council received positive feedback on the level and nature of the consultation it undertook.
- 3.4 The council agreed its Council Tax Reduction (CTR) scheme in December 2012. The council increased the amount single people keep from their earnings, introduced a discretionary scheme for vulnerable people and set the contribution for working age people at 8.5% of their council tax which enabled us to attract the Government's transitional funding and was lower than the 10% originally proposed by the council. Transitional protection was put in place to make sure no one would have to pay more than £3 a week extra as a result of the changes.
- 3.5 To facilitate the introduction of this scheme, the Revenues & Benefits Service undertook an extensive outreach programme with customers affected by the change. This included briefings to the advice services network and CVSF organisations; direct contact with customers through multiple letters; and telephone contact was made to people who had not paid Council Tax for more than ten years. A specific debt prevention team was established to engage with households who are identified as having difficulties paying council tax. (This team has also been working closely with the Housing Income Management Team where people may also have rent arrears).
- 3.6 A discretionary fund has also been established to help vulnerable people (previously CTB discretion could be claimed from Discretionary Housing Payments) which has been administered alongside other related discretionary funds. This fund is promoted on every CTR notification letter, on the website and leaflets. Staff are trained to promote the fund to people who are facing difficulties and the team that administer it also deal with Local Discretionary Social Fund and Discretionary Housing Payments. This means that people's multiple needs can be addressed once an issue with CTR has been highlighted. DCTR has also been regularly promoted through the Advice Services Network and other relevant groups.

- 3.7 Customers with budgeting issues are referred to Money Advice and Community Support (MACS) who were commissioned to offer independent budgeting advice to people affected by the changes. Initially this was for the first year but subject to a review there is an intention to provide a similar service in year 2. This is strongly related to the work of the financial inclusion commission which the welfare reform programme works very closely with.
- 3.8 As at October 2013 there are 26,700 households in receipt of CTR in Brighton & Hove. Of these, 9,850 are households of pensionable age. These households still receive a full rebate from CTR. There are 16,850 working age households who pay 8.5% of their bill before any taper reductions are applied.
- 3.9 For each financial year, the council must consider whether to revise its scheme or to replace it with another scheme. Any revision the council makes to its scheme must be made no later than 31st January in the financial year preceding that in which the revision is due to have effect.
- 3.10 Council Tax itself is paid over the full period of a year, and in reality because of payment arrangements, collection does extend beyond one year. As such full year financial data cannot be available at the time of this review.
- 3.11 The changes to support for Council Tax take place within the context of welfare reform nationally.
- 3.12 Council Tax is collected on behalf of the Police and Fire Authorities in addition to the council itself. 85% of receipts are paid to the council and 15% to other precepting authorities.
- 3.13 The Government has not indicated whether it will provide any transitional grant funding for 2014/15, on top of the base CTR funding. Without it, the scheme will cost more to run. In addition, 60% of the base CTR funding is now rolled into the council's main Revenue Support Grant (RSG) which is expected to be reduced by 20% in 2014/15. This is equivalent to a further £2.25 million reduction in CTR funding support for this council with further significant reductions in future years. Nonetheless it is proposed that the amount working age CTR customers are asked to pay is not increased beyond the current 8.5% of their Council Tax.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Prior to the introduction of CTR, people on a low income claimed CTB to get help with their Council Tax. CTB was based on the full amount of Council Tax.
- 4.2 With the reduction in funding available for CTR, claimants of working age no longer have their full Council Tax paid. Now with the working age contribution, the average weekly amount a working age household claiming CTR has to pay is £1.55 or £80.60 per annum before any taper deductions are applied. The maximum amount a person would have to pay as a result of these changes is £3.00 a week or £156.00 per annum. Of those working age people who have claimed CTR this year, indicative figures show that 18,088 accounts are up to date with payments and 2,703 have arrears. Of these households in arrears,

2,523 have made an arrangement to bring their account up to date. In many of these cases the arrears built up before people were on CTR.

- 4.3 Of the 180 households with no current arrangement to pay, the Revenues & Benefits Service are working through these cases and trying sensitively to establish a dialogue with the households concerned to set up arrangements to pay or to refer people to the discretionary fund.
- 4.4 However this position is not static, there is a constant turnover of cases with people coming off and on CTR as their circumstances change. In addition, payment arrangements are sometimes defaulted or need to be altered requiring further intervention.
- 4.5 Based on initial estimates, the 8.5% that working age recipients of CTR are due to pay cumulatively totals £1.2million.
- 4.6 Analysis of payments made through the year so far show that a significant number of families are choosing to clear the full amount owing in one payment rather than to set up a monthly arrangement. Many families are only entitled to CTR for short periods of time, for example during brief periods of unemployment. Distinguishing between payments made against arrears which have accumulated in periods where a person is not on CTR, as opposed to when they are, is not possible. The end of year Council Tax collection position will be reported within the Annual Performance Update to Policy & Resources Committee scheduled for July 2014.
- 4.7 In January 2013 the number of people claiming CTB was 27,506; this reduced to 27,025 people claiming CTR in June 2013 and 26,678 at the end of October.
- 4.8 The grant funding for CTR is now incorporated into the Revenue Support Grant and Business Rate Retention funding. Revenue Support Grant will reduce significantly across the current spending review period and is expected to reduce further in future years. Any reduction in cost due to lower caseload is expected to be minor against the overall reduction in funding over the next five years.

Discretionary Scheme

- 4.9 The Discretionary Council Tax Reduction scheme (DCTR) was established to assist vulnerable people meet the full cost of their Council Tax through temporary difficulties. The scheme prescribes that DCTR will be funded at a minimum of £100,000. For 2013/14, due to the unknown nature of the entire scheme being new, ongoing funding was increased to £200,000 and a further £100,000 was added as a one off top up if required. DCTR expenditure is currently forecast to be £70,000 for the full year.
- 4.10 All staff receive training about the discretionary scheme so people can be referred to it where it is appropriate to do so. Information about the scheme is on the council's website including how to access support in applying. Advice agencies and community groups have been briefed about it so they can support people to claim it. The Welfare Rights Team have provided training about CTR and the discretionary scheme. Promotion of take up for this scheme (and discretions in general) is central to the work of the service and the Welfare

Reform Team who work with teams across the council about this and will continue after April 2014.

- 4.11 Given that the DCTR spend is forecast to be lower than the current budget, it is proposed that it is reset to £100,000 to add £100,000 to the corporate savings required for 2014/15. This can be achieved even with an increase in take up over the current year position. To ensure a safe transition to this change it is also proposed an amount of at least £100,000 which exists as a current corporate contingency against multiple discretionary schemes is rolled forward to 2014/15 to protect against an unexpected sharp rise in demand.

Specific Aspects of the scheme

- 4.12 The council doubled the amount single people can earn before it is taken into account for CTR from £5 to £10. The intention was to incentivise work and address issues the consultation highlighted about the vulnerability of young single people. When the scheme was introduced, 1185 cases attracted this disregard. As at July 2013, 1205 people were single working and claiming CTR showing a small increase in the working caseload.
- 4.13 When the scheme was introduced transitional protection was provided for a year which meant that no one person would have to pay more than £3 per week as a result of the changes. At the point of transition this meant 44 cases were protected. Through the year, nine cases had a change of circumstances which meant this protection was lost. The scheme is only due to run for one year and expires on 31st March 2014. If, as a result of this protection ending, families find themselves facing difficulties, they will be invited to apply for the discretionary fund.
- 4.14 The council retained an aspect of Council Tax Benefit in its own scheme called Second Adult Rebate. Second Adult Rebate means that single people who decide to offer room in their own home to a person with a low income (often an elderly relative) do not have to pay more council tax than they did when they lived alone and had a single occupancy discount of 25% on their council tax bill. At any one time there are approximately 180 households which receive a reduction to their bill because they receive Second Adult Rebate.

Equalities

- 4.15 An equalities impact assessment based on people of working age who claim CTR shows that (taking recovery action as the key measure of impact) no one group with protected characteristics are significantly more or less negatively affected than others or non-protected groups.
- 4.16 The equalities profile of CTR recipients is complex and can be broken down into more detailed characteristics based on both socio-economic profiles and geography in Brighton & Hove. Information from the first set of consultations provided new insight about which groups may be considered particularly vulnerable – for example young single people who are under 25. More recent work by the financial inclusion team has identified ex-servicemen as a particularly vulnerable group.

- 4.17 As such the council's position is that the discretionary fund is the best way in which vulnerability can be addressed. This is because all unique circumstances can be taken into account, which would be impossible were one of more groups of people to be excluded from the requirement to make payment. This in turn would require higher payments from those who were not excluded.
- 4.18 Additionally, further support can be offered to households on an individual basis via budgeting and financial support through the Money Advice and Community Support contract.

Alternative Options

- 4.19 The council could choose to increase the minimum % of the Council Tax bill that a household would be liable for from 8.5% to some higher figure. Alternatively it could be reduced, potentially to zero. This report has explained why there is insufficient information at this early stage of the introduction of the scheme to propose major revisions. The council's overall financial position means that any reduction in % payable would create significant additional financial pressures elsewhere in the budget.

Administration

- 4.20 The CTR scheme is administered by the Revenues & Benefits Service. Staff that helped customers make claims for CTB now do the same for CTR.
- 4.21 A specific debt prevention team was established to work sensitively with customers who were affected by these changes. This has meant undertaking a pro-active approach in contacting customers directly by phone to explain and work through the details of the changes with them, to set up arrangements, refer to the Money Advice service or assist with a claim for discretionary payments as appropriate. This team has also been working with staff from the Housing Income Management Team so that customers who are also tenants of the council can have their needs met at the same time rather than having to deal with two different services separately.
- 4.22 The change to CTR effectively means the Revenues side of the service are now dealing at any one time with approximately 17,000 extra people who are due to pay an amount of Council Tax. This inevitably has led to a greater number of customer contacts for staff to deal with, in addition to the extra outreach work which has been done. The cost of extra resources to provide this support was built into the original proposal.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Substantial consultation was undertaken prior to the introduction of the CTR scheme in April 2012.
- 5.2 Since the introduction of the scheme, members of the Welfare Reform Team have attended the Advice Services Network's meetings to ask for feedback; the Community and Voluntary Sector Forum (CVSF) have been commissioned to solicit information about CTR and the affect it is having on people from its members organisations; information has been requested on an ongoing basis

from the Welfare Reform City Overview group; services within the council have fed back on the impact on their customers, including Housing and Children's services.

- 5.3 Overall the picture that is emerging is one where the changes to CTR are seen within the overall context of welfare reform and the economy. Many customers do not see additional Council Tax costs as a problem in isolation but a component part of the financial pressure they are facing
- 5.4 A review which examined awareness of the scheme was undertaken in summer 2013. The review found that, although knowledge of the scheme is good, work should continue to be done to promote awareness of the scheme generally and specifically the discretionary scheme. Promotion and access to discretionary schemes is a central part of the Welfare Reform Team's ongoing work.
- 5.5 Formal consultation was undertaken in September and October 2013. The consultation was circulated through the Community and Voluntary Sector Forum, the Advice Services Network, promoted through the Customer Services Centre, through the council's website and social media and through telephone and email communication to CTR customers.
- 5.6 90 people responded to the survey. Of those that replied, 68% were not in receipt of CTR. 81% were of working age, 32% lived alone, 3% were lone parents, 13% were in a couple with children and 29% were in a couple with no children.
- 5.7 Of the people who replied, 27% thought asking CTR customers to pay 8.5% of their Council Tax was about right, 21% thought the figure should be less or zero but 40% of people thought people on CTR should pay more than 8.5%. A slight majority agreed that the funds should be spread as evenly as possible across all groups but others thought some groups should receive higher amounts than others; these groups included disabled people, carers, young single people, lone parents and members of the armed forces. Specific areas of the scheme including transitional protection and an increase in the amount single people can earn were broadly supported.

6. CONCLUSION

- 6.1 The current scheme has been running for less than a year. Data so far suggests that the scheme is operating as expected. More comprehensive information will be available once the scheme has run for a full year. Changing the scheme prior to this could mean doing so when we do not fully understand the implications.
- 6.2 Communicating the changes to CTR is a very significant challenge. This work is ongoing but having a central message around which to press the message is vital. A clearer understanding of the scheme will result in greater engagement of the people affected. Keeping the scheme the same in year 2 will help deliver this message.
- 6.3 Reducing the contribution recipients of CTR are expected to pay would place either a greater burden on other Council Tax payers or extra costs to the council.

- 6.4 The budget process this year is being planned on the basis that the 8.5% contribution will not have to be increased.
- 6.5 Council Tax Reduction as a change is not happening in isolation. The Government's programme of welfare reform is ongoing. This means changes in people's Housing Benefit, sickness and disability benefits and the eventual transition to Universal Credit. Given the scale and number of the other changes recipients have to respond to, and understand, stability in the Council Tax Reduction scheme may be prudent.
- 6.6 Support is in place for the most vulnerable people through the discretionary scheme.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Government grant for CTR for 2013/14 is £22.2million in Brighton & Hove covering the Council, Sussex Police and East Sussex Fire and Rescue Service. The original projected cost of the scheme was £23.437million; the current in year position is that the scheme will cost £22.387million net of the discretionary scheme due to falling caseload. The original planning expectation had been that increases in caseload were more likely than decreases.
- 7.2 The design of the 2013/14 scheme attracted transitional grant of £0.601m between the council, police and fire authority. This grant was for 2013/14 only and the impact of the loss of transitional grant and maintaining the current scheme has been built into the budget assumptions for 2014/15.
- 7.3 CTR grant is incorporated within the Revenue Support Grant (60%) and Business Rate Retention scheme (40%). The Revenue support grant is expected to be reduced by 20% in 2014/15 and further significant reductions in future years. The reduction in the numbers of people claiming CTR has meant the scheme is less costly to fund than initially estimated but the effect of the reduction in the Revenue Support Grant still means the overall burden to the council of running the scheme will rise far in excess of any gains related to caseload.
- 7.4 The Discretionary Council Tax Reduction Scheme budget will be set at £100,000 per annum with £100,000 additional one off resources available to top up if necessary. The one off resources will be carried forward from the unused provision in the current year. This will release £100,000 recurrent budget to support the council's financial position for 2014/15.
- 7.5 The additional costs of administrating the CTR scheme is being successfully managed within existing Revenues & Benefits Service budgets. This means the additional resources set aside to support the scheme administration in the current year can also be released to support the 2014/15 financial position.

Finance Officer Consulted: Name James Hengeveld Date: 07/11/13

Legal Implications:

- 7.6 Section 67 of the Local Government Finance Act 1992 requires that any revision to the Council Tax Reduction scheme be approved by the authority itself; such a determination is not capable of delegation. Technically, the current scheme has not been “revised” but simply re-applied for 2014/15. However, the scheme has been thoroughly reviewed before the proposal to keep it unchanged was formed. Further, the legislation envisages that decisions relating to the setting of the scheme are reserved to full Council. Accordingly, approval for the new scheme must be obtained from full Council. Recommendation 2.2 above reflects this requirement.
- 7.7 The duties referred to in paragraph 3.9 of this report are statutory duties pursuant to paragraph 5 of Schedule 1A to the Local Government Finance Act 1992.

Lawyer Consulted:

Oliver Dixon

Date: 05/11/13

Equalities Implications:

- 7.8 An equalities impact assessment has been undertaken a summary of which will be published on the Council’s website. The main findings are set out in section 4 of this report.

Sustainability Implications:

- 7.9 There are no sustainability implications resulting from this report.

SUPPORTING DOCUMENTATION

Appendices:

Documents in Members’ Rooms

Consultation summary

Background Documents