



Report for:	Cabinet
Date of meeting:	28 June 2016
Part:	1
If Part II, reason:	

Title of report:	COUNCIL TAX SUPPORT SCHEME 2017/18
Contact:	Graeme Elliot, Portfolio Holder for Finance & Resources James Deane Corporate Director (Finance & Operations) David Skinner Assistant Director (Finance & Resources) Author/Responsible Officer Chris Baker, Group Manager (Revenues, Benefits & Fraud)
Purpose of report:	To consider whether to revise or replace the existing Council Tax Support scheme for the 2017/18 billing year, and if so, to approve options for consultation. To note the requirement to consider revision or replacement of the Council Tax Support scheme for 2017/18. To consider the recommendation to uprate the calculation amounts for working age people within the scheme and to adjust the scheme to introduce a rule to automatically do this in future years. To consider the recommendation to make an adjustment to the rule defining disability for the purpose of classing a taxpayer as vulnerable within the scheme.
Recommendations	It is recommended that Cabinet recommends that Council: <ol style="list-style-type: none"> 1. Agrees not to revise or replace the current Council Tax Support scheme for 2017/18. 2. Agrees the proposed minor technical changes to the 2017/18 Council Tax Support scheme as laid out in paragraphs 22 and 23 of the report.
Corporate Objectives:	Effective management of the Council's finances supports the Council's vision and all five of its corporate objectives.
Implications:	<u>Financial</u> There are no direct financial implications arising if Cabinet agree with the recommendations made by this report, as the assumptions in the MTFS about council tax income are based on the continuation of the current scheme. The potential impacts of other choices are explained in the body of this report.
'Value For Money Implications'	

Risk Implications	<p>If revision or replacement of the scheme is recommended, the LGFA 1992 specifies the consultative steps which must be taken. If changes are made without the required process being followed, there is a risk of the scheme being challenged by Judicial Review.</p> <p>There are also financial risks in relation to the impact of applications for support exceeding the anticipated level of payments within the financial year. This is being addressed by ongoing monitoring of the amount of support as part of the collection fund monitoring process.</p>
Community Impact Assessment	<p>An Equality Impact Assessment (EIA) was undertaken on the 2013 Council Tax Support scheme. There have been no changes since that date which have required an update to that assessment. If revision or replacement of the scheme is being considered, then an updated Community Impact Assessment will be developed in order to form part of the consultation process.</p>
Health And Safety Implications	<p>There are no health and safety implications arising from this report.</p>
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>Schedule 1A of the Local Governance Finance Act 1992 (as amended) requires that a billing authority (this Council) considers each financial year whether to revise or replace its Council Tax Support Scheme.</p> <p>This report satisfies that requirement and recommends no revision or replacement to the current scheme other than the minor technical changes noted. If Cabinet or Council does require revision or replacement of the scheme following consideration of this report further consultation will be required.</p> <p>S.151 Officer</p> <p>This is a S151 Officer report.</p>
Consultees:	
Background papers:	
Glossary of acronyms and any other abbreviations used in this report:	<p>CTB – Council Tax Benefit CTS - Council Tax Support DBC - Dacorum Borough Council DCLG – Department for Communities and Local Government EIA – Equalities Impact Assessment HB – Housing Benefit LGFA – Local Government Finance Act 1992 MTFS – Medium term financial strategy SFA – Settlement funding assessment UC - Universal Credit</p>

BACKGROUND

1. In April 2013, the national Council Tax Benefit (CTB) scheme was abolished and replaced by a requirement for each local authority to devise a localised Council Tax Support (CTS) scheme to help people on low incomes pay their Council Tax. Within certain parameters (including reduced government funding) each authority had to devise their own scheme based on local priorities for working age customers. Pensioners were protected from any changes because the Department for Communities and Local Government (DCLG) continued to set national rules covering the level of support for them.
2. The LGFA includes a requirement that every year each council must consider whether to revise or replace its CTS scheme for the following year. If it chooses to do this it must carry out a consultation on the proposed changes following rules set out in the LGFA. In summary this requires an initial consultation with the major preceptors (Herts County Council and the Police & Crime Commissioner), followed by a public consultation with local taxpayers. Caselaw requires that this consultation also include wider budgetary information (for example the option to reduce other service provision in order for the CTS scheme to be more generous).
3. Government funding for CTS is included within the overall Settlement Funding Assessment (SFA), but the amount provided has not been specified since 2013. Government have stated that the funding level for CTS has not reduced since then, although the overall SFA has been reducing year on year.

Dacorum Borough Council's (DBC's) current CTS scheme

4. DBC's current scheme was agreed by Council in January 2012 following the required consultation. It was developed based on the principles that:
 - a. Everyone of working age should pay something towards their Council Tax (except for the most vulnerable)
 - b. The scheme should provide protection for the most vulnerable in the community
5. As a result, the DBC scheme has two main parts:
 - a. Vulnerable: where the taxpayer is disabled, has a child under 5, or receives a war widow's or war disablement pension, CTS is assessed on 100% of their Council Tax liability
 - b. Other: all other working age taxpayers have their CTS assessed on 75% of their Council Tax liability. This means that they are expected to be paying at least 25% of their Council Tax.

Once a customer has been allocated to one of these groups, their entitlement to CTS is means tested.

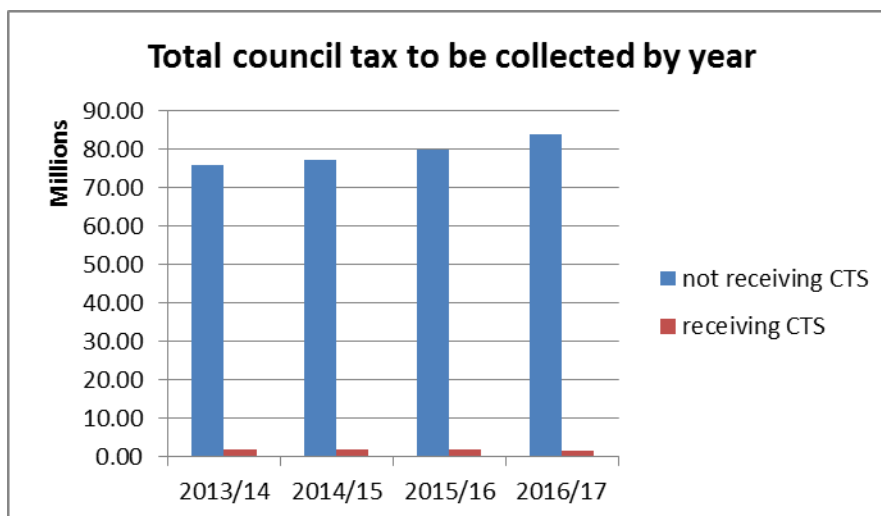
6. We are now in the fourth year of the CTS scheme. During this time DBC has not chosen to revise or replace the original scheme. The only changes made have been minor, uprating the means testing calculation factors so that they remain

aligned with those used in Housing Benefit (HB). None of these calculation factors changed last year.

7. The consultation required for any proposed revision or replacement of the scheme means that it cannot be considered within the rest of the normal budget setting process. If a consultation process is required, it will need to take place over the summer, in order to meet the timetable for scrutiny before returning to Cabinet and then to Council for a decision before the end of January 2017.
8. Replacement of the scheme would involve the introduction of a fundamentally different way of assessing the level of CTS awarded to a taxpayer. This may be something which would enable administrative savings to be made in the future, when most working age housing costs are being met by Universal Credit (UC) rather than HB. However, at present the majority of working age taxpayers receiving CTS also receive HB, and so it is more efficient to calculate both awards in a similar way.
9. Revision of the existing scheme would leave the basis of the scheme the same, but with changes to significant elements, for example an expansion or restriction of the groups protected due to vulnerability, or a change to the minimum payment level from 25%.
10. Officers have carried out modelling of the impact of some revisions which Cabinet may want to consider.

Cost of current scheme

11. As noted in paragraph 1 above, the amount of funding provided by Government towards the cost of providing CTS is not separately identified, and so it is not easy to judge the affordability of the current DBC scheme on those terms.
12. When CTS was introduced, the DBC scheme was designed to fit within the new funding model (10% less funding than for the last year of CTB). For 2013/14 DBC received £1.04m of identified funding, and the CTS scheme ended up costing £0.98m.
13. There are currently around 8,600 households receiving CTS, of whom around 5,000 are of working age. The following chart shows the breakdown between the collectible council tax split by whether or not the resident receives CTS.



14. Over the whole period since CTB ended, the caseload of taxpayers receiving support from CTS has dropped by around 10%. During the same period the level of council tax charged has increased, and this means the cost of CTS to DBC has remained fairly consistent since the scheme has been in place.

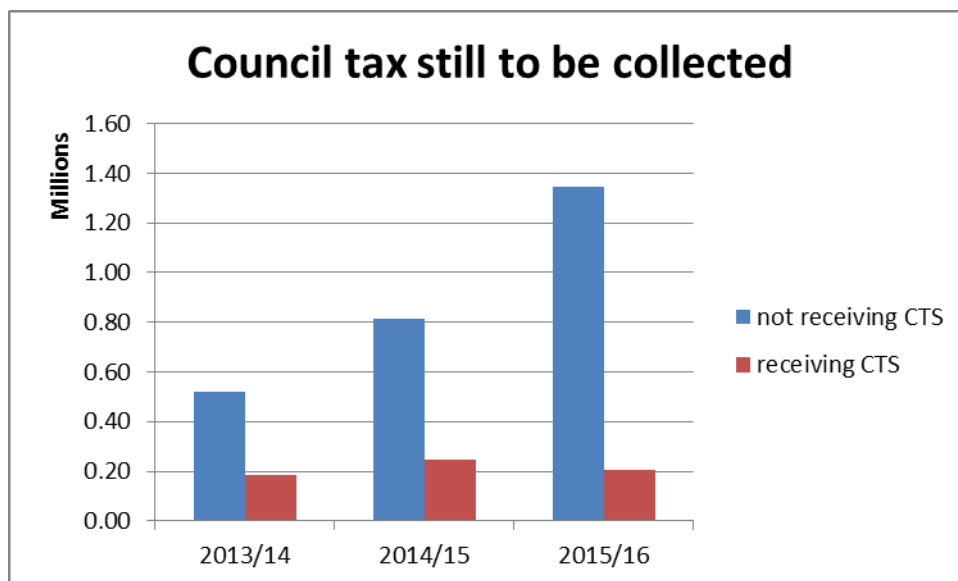
Tax year	Cost of CTS to DBC / £m
2013/14	0.98
2014/15	0.93
2015/16	0.93
2016/17	0.96 (estimated)

Options for change

15. Changes to the CTS scheme will have an effect on the council tax base. A more generous scheme will reduce the base, and a less generous one will increase it. However, it is worth noting that although an increased tax base will lead to a higher level of collectible council tax, this will not necessarily mean increased income for the Council, as the tax itself still needs to be collected.
16. Our current collection level from CTS recipients is shown in the table below.

Tax year	Collection rate overall	Collection rate from CTS recipients	Collection rate from working age CTS recipients with minimum payment due
2013/14	99.1%	91.0%	87.1%
2014/15	98.7%	87.9%	81.6%
2015/16	98.1%	89.5%	76.3%

17. The amount of council tax that this means is still to be collected from CTS recipients is shown below.



18. Some options for revision to the scheme are shown in the table below. A change in tax base of 0.1% is roughly equivalent to £10k in collectible council tax for DBC.

Summary of option	Projected change to tax base
Revert to match rules of old CTB (i.e. no minimum payment)	-0.6%
Reduce minimum payment to 20%	-0.1%
Increase minimum payment to 40%	+0.3%

19. If any of these (or other revisions to the scheme) are considered, then we must carry out a formal consultation exercise in line with LGFA. This requires us to consult with all taxpayers, both those receiving CTS and those who do not, as they will all be affected by any changes. The consultation which took place in 2012 prior to the introduction of the current scheme cost approximately £15k.
20. At present there is only one billing authority which has moved towards a “banded discount” scheme, as a replacement for the current type of scheme which is based on CTB. They have stated that they are not yet seeing any administrative savings from doing this, because they still need to carry out the full means test for the same customers in order to calculate their Housing Benefit. It is therefore suggested that this option is put to one side for the medium term, until the extended rollout of UC has made a significant reduction to the HB caseload.

Technical changes

21. Minor technical changes will not require a formal consultation exercise; however the scheme will still need to be formally agreed by full Council. This report recommends that Cabinet recommends that Council approves two technical changes to the 2017/18 scheme.
22. Technical change 1: update the definition of “disabled” within the CTS scheme to include those found to have “limited capability for work” within a Universal Credit or Employment & Support Allowance award. This will ensure that the scheme continues to protect disabled people in the same way as envisaged when the scheme was first introduced, by keeping the definition in line with other welfare benefits.
23. Technical change 2: uprate the working age means testing calculation factors in line with changes made to HB by the Department for Work and Pensions, and introduce a rule to the scheme which will automatically do this in future years. There is currently a four-year freeze in place by Government for most of these factors, of which 2017/18 will be the second year. However, those factors which relate to disability are not part of the freeze, so we anticipate that there will be a few amounts which will be subject to uprating.