

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	14 January 2016
	Council		28 January 2016
<b>Subject:</b>	Council Tax Reduction Scheme (CTRS) 2016/17 & Council Tax Base 2016/17	<b>Wards Affected:</b>	(All Wards);
<b>Report of:</b>	Chief Finance Officer		
<b>Is this a Key Decision?</b>	Yes	<b>Is it included in the Forward Plan?</b>	Yes
<b>Exempt/Confidential</b>	No		

### **Purpose/Summary**

This report seeks to –

- A. Provide Cabinet with feedback received on the recent consultation exercise regarding the proposed amendments to the Council Tax Reduction Scheme for 2016/17.
- B. Cabinet to consider the responses from the consultation.
- C. Provide Cabinet with options for the recommendation to Council for a 2016/17 Council Tax Reduction Scheme.
- D. Provide Cabinet with an updated Council Tax Base for 2016/17

### **The report contains following Annexes listed below:**

**Annex A:** Consultation Report - results of the consultation

**Annex B:** Council Tax Base report 2016/2017

### **Recommendation(s)**

#### **Cabinet**

1. That Cabinet considers the responses received to the consultation on options to change the minimum contribution required under the Council Tax Reduction Scheme.
2. That Cabinet recommends to Council on the level of minimum liability for Council Tax Reduction.
3. That Cabinet recommend to Council the 2016/17 Local Council Tax Reduction scheme for approval.
4. That Cabinet delegates consideration of any minor changes in legislation/guidance in relation to the 2016/17 Council Tax Reduction Scheme to the Chief Finance Officer in consultation with Cabinet Member (Regulatory, Compliance and Corporate Services), and that any significant changes in such legislation/guidance and any further recommendations be reported to Council on 28 January 2016

5. That Cabinet delegate to the Chief Finance Officer consideration and implementation of any minor textual changes to the Council Tax Reduction Scheme for 2016/17
6. That Cabinet recommends that Council approves the relevant Council Tax Base for 2016/17 as set out in Annex C.

**Council:**

1. That the Council be recommended to approve the level of minimum liability for Council Tax Reduction at 16%.
2. That the Council be recommended to approve the 2016/17 Local Council Tax Reduction Scheme as set out in the report.
3. That the Council be recommended to approve the relevant Council Tax Base for 2016/17 as set out in Annex C of the report.

**How does the decision contribute to the Council's Corporate Objectives?**

<b><u>Corporate Objective</u></b>		<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
1	Creating a Learning Community		<input type="checkbox"/>	
2	Jobs and Prosperity		<input type="checkbox"/>	
3	Environmental Sustainability		<input type="checkbox"/>	
4	Health and Well-Being			<input type="checkbox"/>
5	Children and Young People			<input type="checkbox"/>
6	Creating Safe Communities		<input type="checkbox"/>	
7	Creating Inclusive Communities		<input type="checkbox"/>	
8	Improving the Quality of Council Services and Strengthening Local Democracy		<input type="checkbox"/>	

**Reasons for the Recommendation:**

**Local Council Tax Reduction Scheme**

Each financial year the Council must consider whether to revise or replace its Local Council Tax Reduction Scheme. The Council must approve and adopt the 2016/17 Council Tax Reduction scheme by the 31<sup>st</sup> January 2016 to take effect from 1<sup>st</sup> April 2016.

Any decision to revise or replace the scheme would require compliance with statutory provisions in accordance with The Local Government Finance Act 2012 (Chapter 17), schedule 4.

The proposed revision to the Council Tax Reduction Scheme will assist in making the Council Tax more affordable and will help alleviate some of the financial difficulties being faced by our residents on very low incomes. In addition it will align the minimum weekly Council Tax payment with the amount that can be taken by way of regular deductions from certain benefits (for example Income Support or Job Seeker's Allowance) which in turn will reduce the Council's collection and recovery costs.

## Council Tax Base

In accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 1992, as amended, the Council is required to set a tax base for both Sefton Council and for each Parish Area for 2016/2017.

### **Alternative Options Considered and Rejected:**

To have a more generous Local Council Tax Reduction Scheme other than those proposed in paragraph 6. This would result in reduced income to the Council and would require further budget savings against services in order to achieve a balanced budget.

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

Changes to the Council's tax base and the Council Tax reduction scheme will have an impact on the level of Council Tax income distributed from the Collection Fund to the Council's General Fund in 2016/17. It will also impact on the amounts transferred to the Police and Crime Commissioner, and the Fire and Rescue Service in the year.

The following table shows the impact of the changes to the tax base as well as the reduction in budgeted council tax income as a result of the proposed options to change the Council Tax Reduction Scheme based on 2015/16 Council Tax levels:

	Sefton Council £000	Police & Crime £000	Fire & Rescue £000	Total £000
Council Tax Base 2016/17	-3,661	-444	-198	-4,303
<u>Council Tax Reduction Scheme:</u>				
Option 1 (Minimum of 20%)	0	0	0	0
Option 2a (Minimum of 18%)	174	21	9	204
Option 2b (Minimum of 16%)	383	46	21	450

#### **(B) Capital Costs**

No capital costs are planned for this change in system.

### **Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

#### **Financial**

#### **Legal**

By Section 5 of Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) for each financial year each billing authority must

- a. Consider whether to revise its Council Tax Reduction Scheme or to replace it with another scheme

- b. Make any revision to its scheme, or any replacement scheme, no later than 31<sup>st</sup> January in the financial year preceding that for which the revision or replacement is to have effect.
- c. If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of person is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- d. Before revising its scheme or making a replacement scheme, an authority must:
  - i. Consult any major precepting authority which has power to issue a precept to it.
  - ii. Publish a draft scheme in such manner as it thinks fit and
  - iii. Consult other such persons as it considers are likely to have an interest in the operation of the scheme.

**Human Resources None**

**Equality**

- |   |                                     |
|---|-------------------------------------|
| 1. No Equality Implication                          | <input type="checkbox"/>            |
| 2. Equality Implications identified and mitigated   | <input checked="" type="checkbox"/> |
| 3. Equality Implication identified and risk remains | <input type="checkbox"/>            |

**Impact of the Proposals on Service Delivery:**

By reducing the amount low income working age households have to pay, the Council will make administrative savings, with less customer contact for our Customer Services, reducing the need for debt advice and budgeting support.

**What consultations have taken place on the proposals and when?**

The Chief Finance Officer (FD.3951/15) and the Head of Regulation and Compliance (LD.3234/15) have been consulted and any comments have been incorporated into the report.

**Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Cabinet recommendation to Council and approval by Council 28 January 2016.

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**Background Papers:**

The following papers are available for inspection on the Council website:

- Equality Impact Assessment – addendum to Equality Analysis Report 2013/14.
- Background document relating to the consultation.

## 1. Introduction/Background

### 1.1 Local Council Tax Reduction Scheme

- 1.2. Local Council Tax Reduction replaced Council Tax Benefit (CTB) with effect from the 1 April 2013. The local scheme rules only apply to working age customers.
- 1.3. The Council is required by law to review the scheme each year irrespective of whether it is being amended.
- 1.4. The current local scheme, which has been in place since April 2013, introduced the following changes to the national scheme:
  - The calculation of reduction is based on 80% of the Council Tax bill, rather than 100%. This means all non-pensioner claimants will have to pay a minimum of 20% of the Council Tax due.
  - The capital/savings limit is £6,000, so those with capital exceeding £6,000 are required to make full payment of their Council Tax liability.
  - Council Tax second adult rebate for non-pensioner claimants was removed. Claimants on low income can apply for Council Tax Reduction.
  - Non-dependant deductions – flat rate deductions for working age claimants were introduced at £2 and £5. The reduced charges for non-dependants supported households on low incomes by providing incentive to non-dependants to contribute to the council tax bill.
- 1.5. The scheme must be approved and adopted no later than the 31<sup>st</sup> January in the preceding financial year.
- 1.6. Cabinet approved the recommendations in the report at their meeting on 14 January and requested that the level of minimum liability for Council Tax Reduction at 16%.

## 2 Review of the Scheme Approved for 2015/16

### 2.1. Local Council Tax Reduction Scheme Review

Further to a requirement to review the Council Tax Reduction scheme the following key areas were evaluated:

- Claimant caseload and expenditure.
- Impact on the most vulnerable claimants.
- Council Tax collection
- Review of scheme principles.
- Council Tax Exceptional Hardship fund - discretionary provision

- 2.2 **Claimant caseload and expenditure @ 01.12.2015** – the table below shows the caseload in comparison to the same date in the previous year and has identified a continuation of a downward trend.

Year	Pensioner	Working Age	Total
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	<b>Claimants</b>	<b>Claimants</b>	
01.12.2014	14,234	15,379	29,613
01.12.2015	13,490	14,767	28,257

The working age caseload can be split further:

	2014	2015
* Vulnerable – claimants in receipt of War disablement pension and have a disability.	25	23
Employed	2,785	2,515
Working Age Other	12,559	12,229
<b>Total</b>	<b>15,349</b>	<b>14,767</b>

\* this figure does not include claimants automatically transferred via the DWP for Council Tax reduction. DWP state this data is not available.

### **Council Tax Reduction Expenditure**

	<b>2014/15 expenditure (RO Return) £000</b>	<b>2015/16 expenditure (Forecast) £000</b>
Working age expenditure	10,364	9,472
Pensioners	12,152	12,431
Total expenditure	22,516	21,903

### **Impact on the most vulnerable claimants**

2.3. The scheme implemented for 2015-16 continues to address the Council's priorities to minimise the impact on the most vulnerable, by seeking to strike a balance between dealing with Council priorities whilst supporting the financially vulnerable. The mitigating actions include:

- Provision of an Exceptional Hardship Fund – see Section 4
- Maintenance of core aspects of the Government Housing Benefit scheme that provides additional assistance where there are children, disability and caring responsibilities.
- Council Tax collection – 12 month instalment payments continues to be offered to council tax payers.
- Enforcement action – a sensitive approach was adopted to take into account the potential vulnerability of Council Tax support claimants. Processes and correspondence continue to be reviewed and court costs were minimised to external charges only. Customers are sign posted for debt advice and appointments can be arranged with Citizen Advice Bureau for advice on budgeting skills.

- Before cases are referred to Enforcement Companies a vetting stage has been introduced and cases are dealt with under a separate debt recovery process to minimise potential increases in debt.

## 2.4. Council Tax Collection

2.4.1. DCLG data for 2014/15 highlights Council Tax collection rates remain high but Councils failed to collect £2.7 billion of council tax for last year. Councils who chose not to introduce a minimum payment saw a smaller increase in arrears than those who opted for a minimum payment. The larger the minimum payment meant Council's saw a bigger increase in arrears. The table below provides an analysis of the number of Councils requiring a minimum payment at various levels (based on figures published by the New Policy Institute):

Minimum Payment level	Count of Local Authority 2013/14	Count of Local Authority 2015/16
0%	97	76
8.5% and under	112	55
20% or less	76	142
More than 20%	41	53
<b>Total</b>	<b>326</b>	<b>326</b>

2.4.2 As stated in paragraph 1.4, Sefton's Council Tax Reduction Scheme (CTRS) requires working age claimants to pay a minimum of 20% of the Council Tax due. This one of the higher minimum payments required when compared with other local authorities and has adversely affected the Council's collection rates.

### 2.4.3 Sefton Council Tax Collection 2014/15:

The table below shows the amount of Council Tax billed and collected during 2014/15:

Recorded at 31 March 2015	Liability Raised £000	Received In Year £000	Collection Rate %
CTRS Cases - Working Age	4,038	2,912	72.1%
CTRS Cases - Pensioner Age	1,966	1,968	100.1%
Other Council Tax Payers	118,743	115,235	97.0%
<b>Total</b>	<b>124,747</b>	<b>120,115</b>	<b>96.3%</b>

2.4.4 The total collection rate has fallen from 97.2 % in 2012/13 before Council Tax support was localised, to 96.2% in 2013/14 and 96.3% in 2014/15. This is despite the proactive work officers have undertaken with people affected by the Council Tax Reduction Scheme.

The in-year collection rate for working aged CTRS Cases is significantly lower than for pensioner age CTRS cases and other Council Tax payers. This reflects the difficulty low income working age householders are facing in paying at least 20% of their Council Tax as required by the current Council Tax support scheme. Since the year-end the Council

has collected further amounts and at 2<sup>nd</sup> December 2015 the collection rate for 2014/15 had increased to 79.7% for working age CTRS cases.

## **2.5 Attachment of Benefit (AOB) – collection for Council Tax**

- 2.5.1 There is a growing number of working age Council Tax support claimants falling into arrears i.e. failing to pay the Council Tax minimum contribution of 20% for the year. One recovery option open to the Council in respect of benefit claimants is to apply for an attachment to benefits (AOB) via the courts. Under this option the Court can require a payment of up to £3.70 per week to be made by the DWP directly from the claimant's benefits in order to meet Council Tax arrears. However, the maximum deduction of £3.70 is lower than the minimum weekly Council Tax charge for all property bands in 2015/16 so this creates a problem of growing levels of uncollectable debt. This is because current legislation does not allow the Council to take any other form of debt recovery (i.e. use of Enforcement Agents) whilst AOB is in place. In an attempt to mitigate this, people on AOB have received a letter asking them to contact the Council for advice, to make alternate payment arrangements or seek financial advice from CAB. Early indication has shown limited success.
- 2.5.2 There is also a further difficulty in the collection of Council Tax debt by way of Attachment of Benefits (AOB). This arises because Council Tax is not the highest priority of debt administered by the DWP, so the level of recovery will be affected when people have multiple debts i.e. rent and energy debts are given a higher priority.:
- 2.5.3 Below is how much debt is currently being recovered under AOB and the amount of debt still waiting recovery by AOB

### **AOB's currently in payment as at 30.11.15 include:**

£967,777 outstanding debts (all years including current year for AOB only)  
5,967 number of cases receiving £3.70 per week recovery.  
Estimated to take 46 weeks to clear all years, assuming circumstances remain unchanged from the 30.11.2015.

### **AOB's pending recovery as at 30.11.15 include:**

£2,249,296 outstanding debts, for all years including current year  
9655 number of cases pending recovery from DWP.  
Recovery will not commence until other priority debt paid.

- 2.5.4 The forecast for future Council Tax receipts is adversely affected by the growing debt of a household, and this may in some circumstances be further worsened by reductions in housing benefits and other benefits or income. Therefore there is an increasing risk of bad debt to the Council in future years.

## **3. Review of scheme principles**

- 3.1. The local Council Tax Reduction Scheme is based on 5 principles and the review is summarised below:



Principle	(CTRS) Scheme working for non-pensioner claimants?
The Council will continue to support work incentives	<b>Yes</b> – rules based on the Government initial default scheme and Housing Benefit regarding the treatment of earnings from employment continues to be in place under the local scheme.
The Council will continue to recognise the additional needs of our most vulnerable residents.	<p><b>Yes</b> – the Council has retained the carer premium for those eligible for Carer’s Allowance and the various disability premiums for those in receipt of Disability Living Allowance, Attendance Allowance, Long Term Incapacity Benefit, Severe Disablement Allowance and other qualifying benefits.</p> <p>Procedures were reviewed for the collection of non-payment of Council Tax to ensure non-disproportionate impact on the most vulnerable households. Also financial budgeting skills and advice is made available to all claimants.</p> <p>The Council Tax Exceptional Hardship Fund – is available with fair and transparent criteria for awards.</p>
The Council will continue to recognise the additional needs of families with children	<p><b>Yes</b> – Child Benefit and Child Maintenance payments are not taken into account when calculating the income for CTRS. Also the Council continue to award the Disabled Child premium and disregard child care costs as administered under the Government Housing Benefit scheme.</p> <p>The Council will continue to include the Family Premium when calculating the Council Tax reduction. This will be removed for all new housing benefit claims from the May 2016.</p>
The Council supports households staying together to make better use of housing in Sefton and reduce homelessness.	<p><b>Yes</b> - The amount of Council Tax Reduction when other adults live in the household has been reduced.</p> <p>This is known as a non-dependant deduction.</p> <p>These charges were reviewed for claimants receiving Universal Credit and changes made for clarity for the 2015/16 scheme.</p>
The Council will continue to have due regard to the Armed Forces Covenant	<b>Yes</b> – War Disablement and War Widows pensions in calculating CTRS, including any Armed Forces compensation in accordance with the covenant is disregarded.

#### 4. Council Tax Exceptional Hardship Fund (EHF)

4.1. A key feature of the local scheme is the creation of a hardship fund to mitigate against potential issues for vulnerable claimants. The Council set aside an exceptional hardship fund which is administrated within agreed policy and procedures.

4.2. The following is a breakdown of awards for period 01.04.2015 – 31.10.2015

- 689 claimants received an award

- 702 claims refused
- Amount spent = £83,395

4.3. When residents are actively reminded and debt recovery commences through the court proceedings a larger volume of applications for EHF are received. This is reflected in the phasing of the payments falling into the 2<sup>nd</sup> half of the year.

4.4 It is clearly recognised that the support provided is an important means by which vulnerable residents are provided with assistance to meet their Council Tax liability. It is also considered that the hardship scheme has met its aim of mitigating the impact of welfare reforms on vulnerable residents and that this should continue to be a feature of the current scheme.

4.5 Further details are covered in the Equality Impact Assessment addendum.

## **5. Summary of local Council Tax Reduction Scheme review**

5.1. From its inception in April 2013, the local Council Tax reduction scheme has delivered financial support to a significant number of vulnerable residents. However the number of claimants eligible for relief has continued to reduce since the start of the scheme in April 2013. In April 2013 there were 32,913 council tax support claimants (15,403 pensioner age and 17,510 working age). By October 2015 the number of claimants had reduced by 13.1% to 28,585 (13,595 pensioner age and 14,990 working age). This appears to be due to reduced demand as the general economy improves.

5.2 In 2013/14 the actual cost of scheme was £24.1 million. As a result of the reduction in the number of claimants the cost of the scheme had fallen by £1.7 million to £22.4 million (forecast) on 1 October 2015.

5.3. The forecast saving could be used to increase the level of support provided to low income households or to protect council services from cuts as a result of reductions in government grant in 2016/17. Alternatively it could provide a mixture of both

5.4 The review of the scheme highlighted that where a claimant is placed on an attachment to benefit the maximum weekly deduction of £3.70 per week does not cover the amount of debt billed. This is because the current local scheme requires all working-age claimants to pay at least 20% of their Council Tax liability. At this level the minimum weekly charge ranges between £3.96 in Band A and £11.88 in Band H in 2015/16.

5.5 This means that the minimum weekly charge in all Council Tax bands is higher than the maximum weekly payment under an AOB. So when a claimant goes on to an AOB the Council will not be able to collect 100% of their tax liability. This leads to an annual shortfall that ranges between £14 in Band A and £425 in Band H.

5.6 It also means that claimants who choose not to pay and are paying less than those that choose to pay their Council Tax bill.

5.7 The majority of working age CTRS claimants occupy properties in Band A (65.9%) or Band B (22.1%). Bands C to H make up only 12.0% of working age CTRS claimants.

5.8 The number of working age CTRS claimants on AOB follows a similar pattern. The percentage of claimants on AOB in 2014 was Band A (79.4%) and Band B (15.3%). Bands C to H made up only 5.3% of claimants on AOB.

5.9 In order to reduce the potential growth in AOBs and the resulting uncollectable debt it would make sense to consider reducing the minimum weekly payment required under the

CTRS in-line with the maximum weekly payment under an AOB at either Band A or Band B. This would mean reducing the minimum payment from 20%.

## 6. **Proposed revisions to 2015/16 Local Council Tax Reduction Scheme (CTRS) in 2016/17**

6.1 Two proposals have been made to reduce the minimum payment level required under the CTRS. The proposals are aimed at reducing the level of uncollectable debt arising as a result of the growing number of claimants on Attachment to Benefits (AOB). They would also reduce the cost of administration and enforcement of Council Tax collection, and would assist low income families in Sefton who will be affected by the Government's Welfare reform changes.

### 6.2 The proposed options included in the consultation:

<b>Option 1 – No change from 20% Council Tax contribution</b>	No change to the existing Council Tax reduction scheme. The council tax reduction will be calculated in the same way as now. People of working age will continue to pay a minimum contribution of 20%
<b>Option 2 a) 18% Council Tax contribution</b>	<ul style="list-style-type: none"> <li>• Minimum weekly payment for Band A becomes £3.56</li> <li>• The forecast net cost of this change is £204,000</li> </ul>
<b>Option 2 b) 16% Council Tax contribution</b>	<ul style="list-style-type: none"> <li>• Minimum weekly payment for Band B becomes £3.70</li> <li>• The forecast net cost of this change is £450,000</li> </ul>

6.3 Option 2a and 2b represent an increase in support to CTRS claimants across all bands. They will improve collection rates, reduce council tax administration and enforcement costs, reduce the level of uncollectable debt, ensure that those who choose to pay do not pay more than those that choose not to pay, and at 16% would allow the Council to recoup more of the debt outstanding from previous years.

6.4 Because the CTRS is part of the Collection Fund, the costs and savings are shared between the Council, the Police & Crime Commissioner, and the Fire and Rescue Service. The forecast impact of the options on each of these bodies is shown below:

Cost of each proposal	Sefton Council £000	Police & Crime £000	Fire & Rescue £000	Total £000
Option 1 - 20% Contribution	0	0	0	0
Option 2a - 18% Contribution	174	21	9	204
Option 2b - 16% Contribution	383	46	21	450

## 7. **Council Tax Reduction Scheme 2016/17 – Consultation**

7.1 Before making changes to the local scheme, the Council must consult with major preceptors prior to publishing a draft scheme, then consult with such persons as it considers likely to have an interest in the scheme. This will include local people, landlords, organisations and community support groups and particularly those that may be affected by the proposed changes e.g. those in receipt of Council Tax reduction.

7.2 The consultation consisted of the following:

- a) A detailed background document was made available with the questionnaire. This was to ensure that residents completing the questionnaire had all the relevant information available to help them understand the Council's position and the reasons for proposed changes to the scheme. The Council also offered to make available the information and questionnaire in different formats and hard copy to ensure all people could express their view.
- b) Letters were issued to the precepting authorities – Merseyside Police and Merseyside Fire and Rescue Service.

Merseyside's Police & Crime Commissioner has responded to say that she supports Option 1 (e.g. no change to the existing scheme). She has also indicated that she could not support any change that would increase the costs of the existing scheme, which would ultimately have a negative impact on the tax base and the level of Police precept which she could potentially raise.

- c) Letters were issued to stakeholders inviting them to take part in the consultation survey.
- d) Communication included a press release, Twitter, Council's website, flier to all landlords, attendance at various forums and the use of plasma screen at both Bootle and Southport enquiry offices.
- e) As part of the consultation, equalities questions were asked in connection to gender, age, disability and ethnicity. The consultation responses do not indicate any disproportional impact.

7.3 The consultation commenced on the 23<sup>rd</sup> November and ended on the 20<sup>th</sup> December 2015.

7.4 Consultation report see Appendix A

## 8. **Equality Impact Assessment**

8.1 A full equality impact assessment was published as part of the design and implementation of CTRS for 2013/14. This assessment has been reviewed in the context of the proposed options for 2016/17 and found there is no disproportionate impacts as the mitigating actions put in place for the 2013/14 scheme will remain. The addendum to the original assessment is available on the Council Website to review in line with the proposed options.