

Report to: Cabinet

Date of Meeting: 7 November 2016

Report Title: Council Tax Support Scheme 2017/18

Report By: Peter Grace, Assistant Director- Financial Services & Revenues

Purpose of Report

To update Members on the results of recent consultation and to advise on the options available regarding the Council Tax Support Scheme 2017/18 in respect of working age customers.

Recommendation(s)

- 1. To recommend to Full Council that there be no change to the existing Council Tax Support Scheme in respect of working age customers for 2017/18.**
- 2. To authorise the Assistant Director (Financial Services and Revenues) to uprate allowances and premiums, as required, when announced by the Government and for any relevant changes to the Prescribed Regulations.**

Reasons for Recommendations

The local authority is required to approve a scheme for the provision of council tax support in respect of 2017/18 by 31 January 2017.

Introduction

1. From April 2013, councils have been required to adopt their own local council tax support scheme to replace the national Council Tax Benefit Scheme, which was withdrawn on 31 March 2013. The local scheme rules only apply to Working Age customers.
2. The council is required to review and adopt their scheme each year irrespective of whether the scheme is being amended.

Current Council Tax Support Scheme

3. The current local scheme, which has been in place since April 2013, introduced the following changes to the national scheme:

Set a minimum weekly award of £5

Removed second adult rebate

Increased non-dependant deductions

4. There are 10,836 people claiming council tax support, of which 6,840 are of working age and 3,996 are pensioners. The amount that will be paid in council tax support for 2016/17 is in the region of £10.5m.
5. Hastings is the only East Sussex authority which has retained the original council tax support scheme introduced in April 2013.
6. Eastbourne, Rother, Wealden and Lewes introduced the following changes from April 2016:
 - Charge all working age customers a minimum of 20% of their annual council tax bill
 - Introduced a minimum income for self-employed customers
 - Reduced the capital limit from £16,000 to £6,000 (Wealden only)

Funding

7. Entitlement to council tax support is applied to council tax accounts as a discount, which has the effect of reducing the council tax base. This adds to the pressures on overall budgets for all precepting authorities.
8. The grant funding for the council tax support scheme is included within the Revenue Support Grant (RSG) and retained Business Rates.
9. For 2013/14, the first year of the council tax support scheme, the Benefits grant which had previously been awarded by the Department for Work and Pensions, was reduced by 10% and transferred to the Department for Communities and Local Government.

10. In 2014 it was announced that the funding for the scheme is protected in the RSG and within the Localisation of Business Rates arrangements, however it is not possible to identify any specific amount of grant funding within these funding streams.
11. It is therefore important to review the existing scheme to strike the right balance between protecting those on low incomes and maintaining essential services.

Changes considered for 2017/18

OPTION 1

12. The first option was to consider the introduction of a minimum council tax payment for all working age customers.
13. The table below sets out the potential savings if the council were to charge all working age benefit customers a minimum percentage of their annual council tax bill:

Authority	Minimum payment	Number of applicants affected (working age only)	Estimated savings from current scheme	HBC Savings
Hastings	10%	6,840	£574,487	£81,347
Hastings	15%	6,840	£867,727	£122,870
Hastings	20%	6,840	£1,169,868	£165,653

14. Of the 6,840 working age customers affected, 5,568 are currently receiving 100% council tax support, ie making no contribution to council tax. These customers are in our lowest income households
15. The majority of these customers, (4,569), live in Band A and Band B properties.
16. Therefore, for example, by introducing a 20% minimum payment, these customers would be required to pay around £4.50 and £5.20 per week respectively. For customers in Band C and above, the contribution would be in excess of £5.90 per week.

OPTION 2

17. The second option to be considered was reducing the capital savings limit from £16,000 to £6,000.

18. The table below sets out the potential savings:

Authority	Number of applicants affected (working age only)	Estimated savings from current scheme	HBC Savings
Hastings	36	£35,000	£4,956

19. There are minimal savings to be gained.

20. It should also be noted that we are not required to keep records of capital held by customers in receipt of passported welfare benefits, eg Income Support, Employment and Support Allowance. As customers in receipt of these benefits are allowed to have capital of up to £16,000, we would need to contact all of these customers to check their capital and withdraw council tax support as necessary. These again are customers who are likely to be currently receiving 100% support. The above table does not include these customers as we have no idea as to how many may be affected.

OPTION 3

21. The third option was to consider introducing a weekly minimum income, in line with the national living wage, for self-employed customers.

22. The table below sets out the potential savings:

Authority	Number of applicants potentially affected (working age only)	Estimated savings from current scheme	HBC Savings
Hastings	550	£370,000	£52,392

23. The minimum income calculation would only apply where a business had been running for at least 12 months.

Consultation

24. Full consultation with the public is required if changes are to be considered. Therefore a consultation exercise took place between 8 July and 16 September 2016.

25. The consultation was web based and customers were encouraged to use the council's computers located in the Contact Centre.

26. Voluntary sector partners were also asked to complete the survey, as were East Sussex County Council, our main preceptor.

27. Amicus Horizon, who has over 3,000 tenants receiving benefits, also agreed to promote the consultation via Facebook and Twitter.

28. Residents were asked for their views on the three options as set out in this report. Unfortunately the consultation does not give us a particularly accurate picture for the following reasons:

- Low response rate
- 70% of respondents in work
- 17% of respondents retired

The most affected by the proposals are people who are unemployed and currently in receipt of 100% benefit – less than 6% of respondents were in this category.

Consultation – Results

Option 1

29. The survey asked if residents agreed with a minimum charge applying to all working age residents - 73% of those taking part agreed.

30. Of the 73% who said 'yes', 47% agreed that the minimum payment should be 20%; with 21% saying a minimum payment of 10% and 20% saying a minimum of 15%. The remaining 12% were 'don't knows'.

Option 2

31. The survey asked if residents agreed that the capital limit should be reduced from £16,000 to £6,000. 62% of those taking part agreed.

Option 3

32. The survey asked if residents agreed with a minimum income being used for self-employed customers. 62% of those taking part agreed.

East Sussex County Council view

33. East Sussex County Council have provided a comprehensive response to the consultation. Please see Appendix 1.

34. You will note that their response focuses on the funding arrangements, their continuing savings requirements and the financial impact should we not adopt the proposals.

Consultation Summary

35. There were only 135 responses in total and this needs to be taken into consideration when making a decision regarding the 2017/18 scheme.
36. Of the people who responded, 69.6% are in full or part time work; 5.6% are unemployed; 7.9% are sick; 16.9% are retired.
37. Taking the results of the consultation at face value, the scheme for 2017/18 would be as follows:
 - 20% minimum payment for all working age customers
 - Reduction in capital to £6,000
 - Minimum income based on national living wage for self-employed customers

Impact of adopting options considered

38. By introducing a minimum payment of 20%, whilst potentially saving a considerable amount of money, the poorest members of our community would suffer most.
39. With the revised Benefit Cap being implemented in November, and full digital service Universal Credit being rolled-out in December; the changes in income will already be hitting the pockets of some of our residents.
40. The council tax collection rates have been reasonably consistent over the past 5 years. An increase to our liability of over £1m will put our recovery under extreme pressure, particularly for residents who have not been required to pay any council tax contributions for years.
41. Our colleagues across East Sussex introduced a 20% minimum payment in April 2016. As at the end of August, the average collection rate across the county is 49%, with the 20% cases averaging 35.8%.
42. Introducing a reduction in capital would attract minimal savings and would cost more to administer.
43. Whilst introducing a minimum income for self-employed customers could potentially attract around £50k in savings for Hastings Borough Council, again the change would increase administrative costs to an income group that is already the most difficult to assess.

Conclusion

44. The following have been carefully considered:
 - The three options put forward

- The results of the consultation
- The comments from East Sussex County Council
- The potential impact on collection rates
- The impact of the Benefit Cap and Universal Credit
- The impact of other Welfare Reforms
- The Council's budget position
- To continue with the existing scheme

45. Given the potential impact of the welfare reform changes on the poorest sections of the community in particular, and that all authorities in East Sussex may wish to review the scheme for 2018/19, the recommendation of the report is to continue with the existing Council Tax Support Scheme for 2017/18.

Wards Affected

ALL

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	YES
Human Rights Act	No
Organisational Consequences	No
Local People's Views	YES
Anti-Poverty	YES

Additional Information

Appendix 1 – Letter from East Sussex County Council

Officer to Contact

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