

**Report to:** Cabinet

**Date of Meeting:** 2 November 2015

**Report Title:** Council Tax Support Scheme

**Report By:** Peter Grace

**Assistant Director – Financial Services and Revenues**

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### **Purpose of Report**

To set out, following public consultation, the proposal for changes to the Council Tax Support Scheme for Hastings in 2016/17.

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### **Recommendation(s)**

- 1. To recommend to Full Council that, for Working Age customers, Hastings Borough Council will adopt the Council Tax Support Scheme as set out in the report.**
- 2. To recommend that Hastings Borough Council adopts the proposed Exceptional Hardship Policy as per the report.**
- 3. To authorise the Assistant Director - Financial Services and Revenues to uprate allowances and premiums, as required, when announced by the Government and any relevant changes to the Prescribed Regulations.**

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### **Reasons for Recommendations**

The local authority is required to approve a scheme for the provision of council tax support in respect of 2016/17, by 31 January 2016.

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## 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to adopt their own local council tax support scheme to replace the national Council Tax Benefit Scheme, which was withdrawn on 31 March 2013.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 applies to Working Age customers.
2. The Council is required to review their scheme each year irrespective of whether it is being amended.
3. The scheme has been developed in collaboration with all East Sussex local authorities and currently the same scheme applies throughout the County.

### Current Council Tax Support Scheme

4. 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

5. There are 11,056 people claiming council tax support, of which 6,906 are of working age and 4,150 are pensioners. The amount that will be paid in council tax support for 2015/16 is in the region of £10.6m.

### Funding

6. 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.
7. The grant funding for the council tax support scheme is included within the Revenue Support Grant (RSG) and retained Business Rates.
8. 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.
9. 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.
10. 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 for 2016/17

11. The five authorities in East Sussex have continued to work together on a county-wide scheme since 2013 and the original scheme has remained unchanged.
12. In light of ongoing financial pressures, all authorities agreed that changes to the scheme for 2016/17 should be considered.
13. Pensioners are still protected so only changes to working age customers can be made.
14. After much discussion, the East Sussex Project group, ie Revenues and Benefits Managers, a representative from East Sussex County Council and a representative Chief Finance Officer, presented a range of options to East Sussex Leaders and Chief Executives for consideration.
15. The following options were agreed to be put out for public consultation:

Require people to pay a minimum amount of their council tax

Reduce the capital limit from £16,000 to £6,000

Assume a minimum level of income for anyone who has been self-employed for at least 12 months

### Impact of proposed options

16. 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	Comments
Hastings	10%	6,906	£557,787	System calculation
Hastings	15%	6,906	£842,457	System calculation
Hastings	20%	6,906	£1,135,798	System calculation

17. Of the 6,906 working age customers affected, 4,753 are currently receiving 100% council tax support ie making no contribution to council tax. These customers are in our lowest income households
18. The majority of these customers,(4,319), live in Band A and Band B properties.
19. Therefore, for example, by introducing a 20% minimum payment, these customers would be required to pay around £4.20 and £5.00 per week respectively. For customers in Band C and above, the contribution would be in excess of £5.70 per week.
20. The table overleaf sets out the potential savings if the council were to reduce the capital limit from £16,000 to £6,000:

Authority	Number of applicants affected (working age only)	Estimated savings from current scheme	Comments
Hastings	41	£37,478	System calculation

21. There are minimal savings to be gained.

22. 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.

23. The table below sets out the potential savings if the council were to introduce a minimum income for self-employed customers:

Authority	Number of applicants potentially affected (working age only)	Estimated savings from current scheme	Comments
Hastings	670	£430,000	Manual calculation

24. The minimum income calculation would apply where a business had been running for at least 12 months. In these cases, an assumed income, equivalent to the minimum wage, would be taken into account when calculating council tax support.

### Consultation

25. Before making a new scheme, the Council must consult with major preceptors prior to publishing a draft scheme, then consult with such other persons as it considers likely to have an interest in the operation of the scheme, namely council tax payers in the borough.

26. The consultation took place between 27 July 2015 and 21 September 2015 and was web based.

27. A detailed background document (see Appendix 1) preceded the actual questionnaire. This was to ensure that residents completing the questionnaire had all relevant information available to help them understand the council's position and the reasons for making changes to the scheme.

28. Only 93 responses were received and a summary of the responses is attached (Appendix 2).

29. You will note that 94% of the respondents agreed that every working age person should make a minimum payment. The preferred level of payment was 15%.

30. With regards to whether the capital limit should be reduced from £16,000 to £6,000; 50% agreed, with 47.06% disagreeing.

31. On the question of introducing a minimum income floor for self- employed customers, 55.88% said 'YES', with only 26.47% saying 'NO'.
32. Of the other options put forward, an increase in council tax was slightly preferable to using the council's reserves ie 37.93% for increasing council tax against 37.29% for using the council's reserves.

### **Proposed Scheme for 2016/17**

33. Having considered the responses to the consultation, albeit a low response rate, together with the need to make savings and the potential impact on households in the borough, the proposed scheme to be recommended to Full Council for 2016/17 is:-

To continue with the existing scheme with the following addition -

To introduce a minimum income floor for customers who have been self-employed for at least 12 months. In these cases, an assumed minimum income, based on the equivalent of the weekly National Minimum Wage (35 hours), will be applied.

34. This will affect around 670 existing customers and will reduce the costs of the scheme by an estimated £430,000.

35. A link to the draft scheme is attached (Appendix 3).

36. It is also recommended that the Assistant Director - Financial Services and Revenues is authorised to update allowances and premiums, and changes to the Prescribed Regulations, as required, when announced by the Government. These details are normally announced in late December/early January.

### **Rejected Proposals**

37. The proposal to require people on low incomes to make payments towards their council tax has been discounted as this would have an adverse impact on council tax collection rates. Also pursuit of such debts would not be cost-effective.
38. The proposal to reduce the capital limit from £16,000 to £6,000 has also been discounted. There is minimal financial gain from this proposal, and the work involved in collecting the relevant information from 'passported' customers makes it an even less viable proposition.

### **Exceptional Hardship Policy**

39. An Exceptional Hardship Fund (EHF) will be set up to assist applicants for council tax support who are facing exceptional hardship. The fund has been created to provide further assistance where an applicant is in receipt of council tax support, however the level of support does not meet their full council tax liability.
40. A draft policy is attached (Appendix 4) which sets out the criteria and decision making process.
41. The amount of the fund to be agreed as part of the budget setting process.

42. East Sussex County Council has agreed that this will be funded through the collection fund.
43. The fund will help to mitigate the impact of the change to the scheme on our residents.

### **Impact of Summer Budget 2015**

44. In July 2015, the Chancellor of the Exchequer announced a number of welfare measures which will be phased in from April 2016.
45. Some of the changes may impact on the costs of the council tax support scheme for 2016/17 and include the following:-

The removal of the family premium in Housing Benefit

Changes to working tax credits

46. The above changes will reduce household income and may therefore increase the level of council tax support awarded.
47. Unfortunately, due to the timing of the Budget, it was not possible to amend the consultation documents to reflect the changes. To have done so would have delayed the consultation and risked not being able to meet the statutory deadline for agreeing the 2016/17 scheme.
48. When reviewing the scheme for 2017/18, the above changes, with any other additional changes announced, will be considered.

### **East Sussex Authorities Collaboration**

49. Since council tax support was introduced in 2013/14, the five East Sussex authorities, namely Rother District Council, Eastbourne Borough Council, Wealden District Council, Lewes District Council and Hastings Borough Council, have worked closely and adopted the same council tax support.
50. In respect of 2016/17, the scheme being recommended at Hastings differs from that of our neighbouring colleagues.
51. The main difference is that they will be recommending a 20% minimum payment from all working age customers as well as introducing a minimum income floor. Wealden are also recommending that the capital limit is reduced to £6,000.

### **Equalities and Community Cohesiveness**

52. An Equality Impact Assessment has been undertaken, see Appendix 5.

### **Anti-Poverty**

53. The Council has minimised the impact of the proposed change to the scheme by introducing an Exceptional Hardship Fund as detailed in the report.

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## Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

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## Policy Implications

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

Equalities and Community Cohesiveness	Yes
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

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## Additional Information

Appendix 1 - Consultation background information  
Appendix 2 - Summary of consultation responses  
Appendix 3 - Link to draft scheme (to follow)  
Appendix 4 - Draft Exceptional Hardship Policy  
Appendix 5 - Equality Impact Assessment

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## Officer to Contact

Jean Saxby  
jsaxby@hastings.gov.uk  
01424 451556

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