

CABINET

2 DECEMBER 2015

THE OVERVIEW & SCRUTINY COMMITTEE

7 DECEMBER 2015

REVIEW OF LOCAL COUNCIL TAX REDUCTION SCHEME

REPORT OF DEPUTY HEAD OF REVENUES

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RECENT REFERENCES

CAB2623: Review of Council Tax Reduction Scheme, 03 December 2014

EXECUTIVE SUMMARY:

Council Tax Benefit (CTB) was replaced with a local Council Tax Reduction (CTR) Scheme from 2013/14. This CTR Scheme was reviewed for 2014/15 and 2015/16 and the Council must now consider the options for 2016/17.

The national welfare reform programme is on-going with significant changes being implemented currently and further reform planned. The national roll out of Universal Credit (UC), which will have an impact on working age customers, started in February 2015. It is being rolled out slowly in phases, with completion anticipated for the end of 2020. Universal Credit was introduced in Winchester from 21 September 2015 for working age single claimants who would have claimed Jobseekers Allowance.

This report contains an appraisal of the current position and recommendations for the Scheme in 2016/17.

Benefits customers are experiencing a time of significant change. The current CTR Scheme works well and provides full benefit for those on the lowest incomes and in greatest financial need. Given the current and future scale of welfare reform, it is recommended that the current CTR Scheme, with a further increase in disregarded earned income, continues to be adopted for 2016/17.

The estimated expenditure for the 2016/17 recommended Scheme can be met within current budget estimates and therefore does not create an additional budget pressure.

The Council must adopt the Scheme for 2016/17 prior to 31 January 2016. It is necessary to present the updated detailed local CTR Scheme for 2016/17 direct to Council on 6 January 2016 as the increases in components used in the CTR calculation will not be available from the Department for Work and Pensions (DWP) and Communities and Local Government (DCLG) until December 2015.

**RECOMMENDATIONS:**

1. That a report be submitted direct to Council on 06 January 2016 containing the updated detailed local Council Tax Reduction Scheme for 2016/17 for approval.

**That Cabinet recommends to Council**

2. That Council adopts the local Council Tax Reduction Scheme proposed in this report as follows:
  - a) Base the local Council Tax Reduction Scheme for 2016/17 on the scheme adopted for 2015/16 with amendments to reflect wider legislative change to Council Tax Reduction and other related legislation;
  - b) Increase components in the CTR calculation in line with the increases which DWP & DCLG provide for in the Housing Benefit Regulations 2006 (as amended) and the Council Tax Reduction Scheme (Prescribed Requirements) Regulations 2012 (as amended) for 2016/17;
  - c) Increase income disregards for working age claimants further so that single claimants have the first £35.00 of earned income disregarded and others have the first £70.00 of earned income disregarded

**TO THE OVERVIEW AND SCRUTINY COMMITTEE:**

3. That The Overview and Scrutiny Committee raises with the Portfolio Holder any issues arising from the proposals outlined in this report and considers whether any items of significance be drawn to the attention of Council.

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### THE OVERVIEW & SCRUTINY COMMITTEE

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### REVIEW OF LOCAL COUNCIL TAX REDUCTION SCHEME

#### REPORT OF DEPUTY HEAD OF REVENUES

#### DETAIL:

##### 1. Background

- 1.1. Support for Council Tax was localised from 2013/14. This meant that the Council had to design its own CTR Scheme for Winchester residents to replace the national CTB Scheme.
- 1.2. After a comprehensive consultation exercise the Council introduced a local CTR Scheme for 2013/14 which did not change the underlying basis on which the amount of financial support the Council provided was calculated. The Council was keen to ensure that it supported working age customers, who were in work, and therefore enhanced the Scheme by increasing the amount of earned income that is disregarded in the benefit calculation.
- 1.3. The Council reviewed the Scheme for 2014/15 and 2015/16 and maintained the underlying basis of the Scheme with an increase in the components of the calculation to allow for rises in the cost of living and further increases in the income disregards for working age claimants in work.
- 1.4. The Council must now review the position for 2016/17.

##### 2. Consultation

- 2.1. A public consultation exercise was undertaken on possible options for the 2016/17 scheme. The consultation was open for a 2 month period from 1 September 2015 to 31 October 2015. Options were published on the Council's website and a press release was issued on 27 August 2015. A flyer was included with all Council Tax bills sent during the consultation period. The consultation was also published in Parish Connect. Hampshire County Council was consulted separately on behalf of the major precepting authorities.

2.2. The following options were included in the consultation –

Option 1

To maintain the current CTR scheme with no changes

Option 2

To maintain the current CTR scheme but include some of the changes being made to Housing Benefit from April 2016. These are:

- a) Remove the family premium from working age claims. The family premium will not be removed from existing claims. It will not be awarded where a new claim is made on or after 1st April 2016; and
- b) Limit backdating of claims from 6 months to 4 weeks for working age customers

Option 3

To maintain the current CTR scheme but to further increase the amount of income that working age customers can earn before it affects their level of CTR. It was proposed that earnings disregards are further increased as follows:

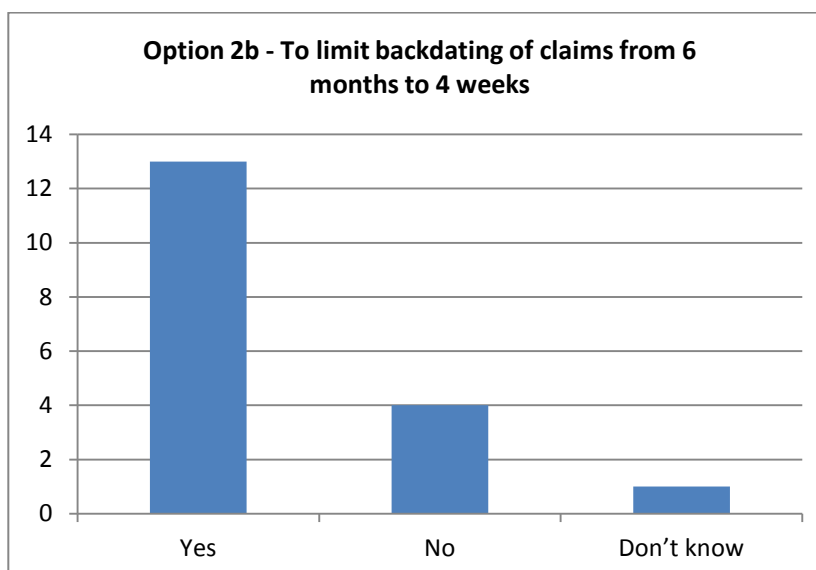
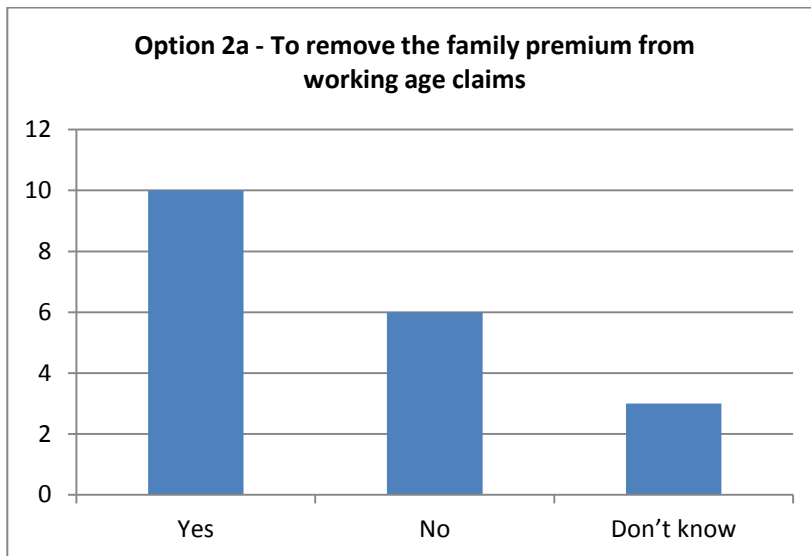
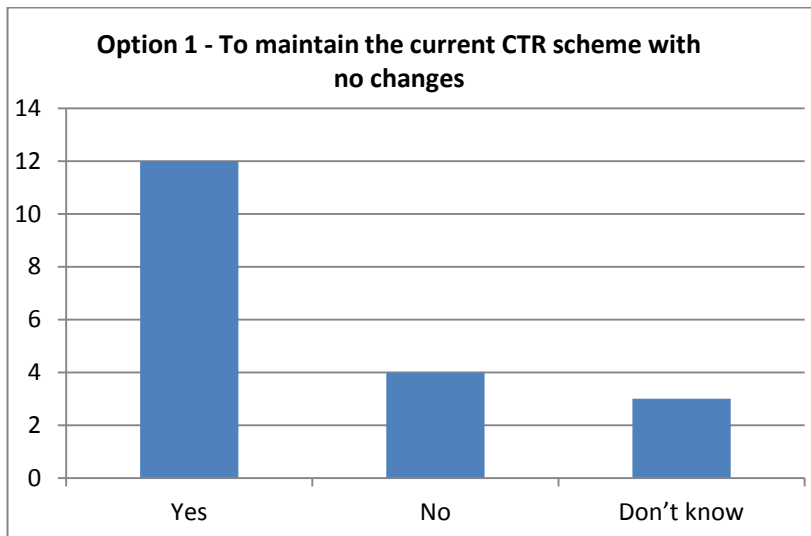
- 1. From £30.00 to £35.00 per week for single customers
- 2. From £60.00 to £70.00 per week for all other customers

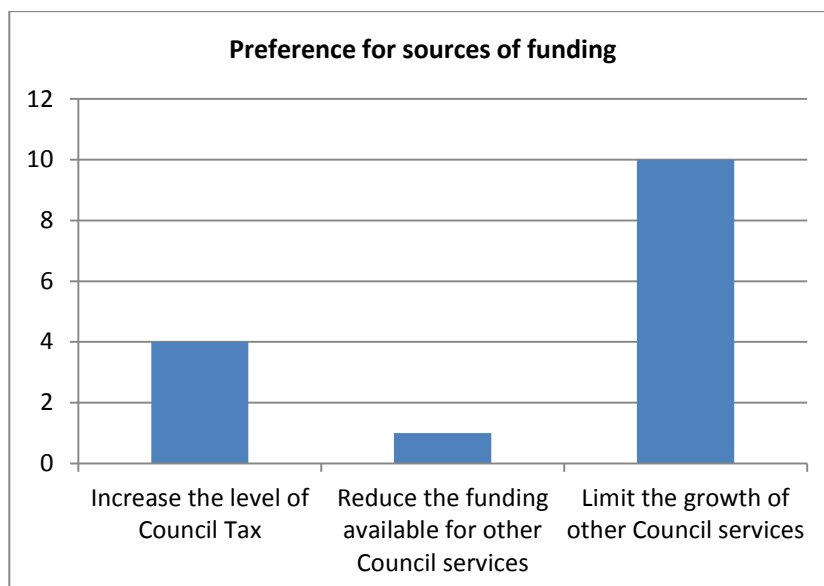
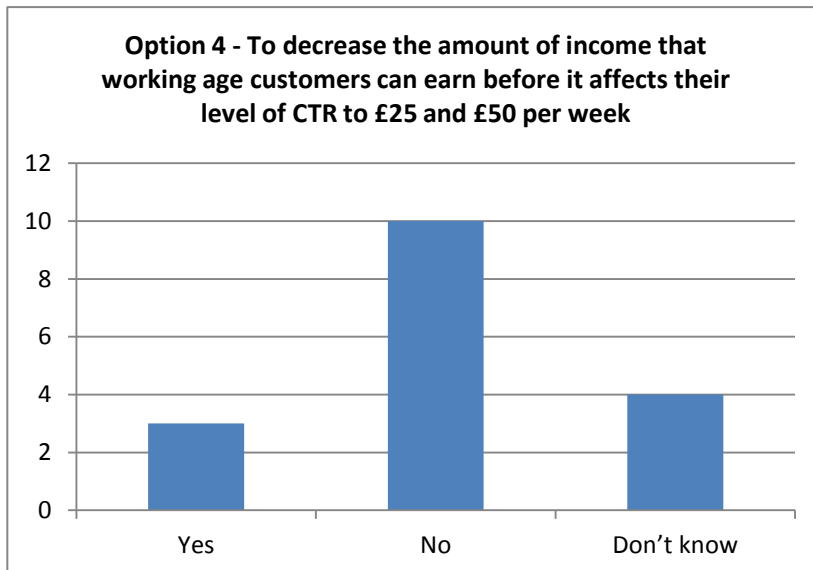
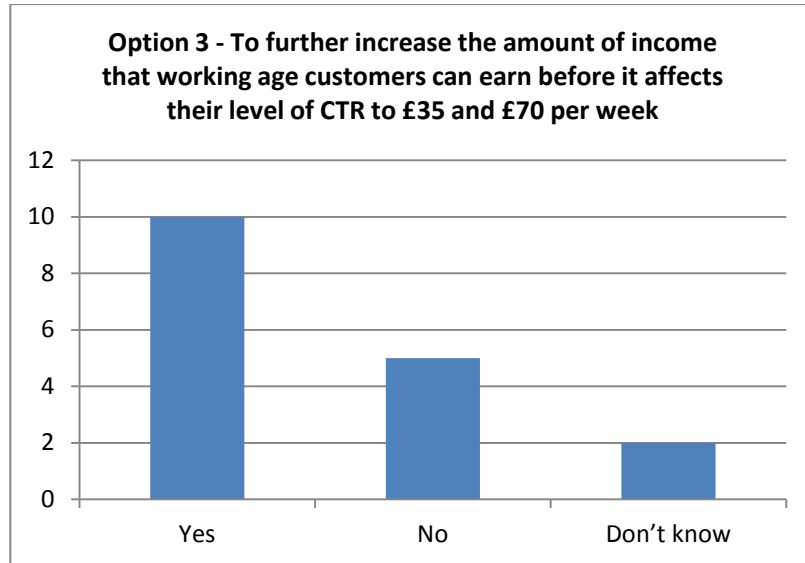
Option 4

To maintain the current CTR scheme but reduce the amount of income that working age customers can earn before it affects their level of CTR. It was proposed that earnings disregards are decreased as follows:

- 1. From £30 to £25 per week for single customers
- 2. From £60 to £50 per week for all other customers

- 2.3. 19 customers responded to the consultation and completed the online survey. The results are shown below:





- 2.4. Hampshire County Council responded on behalf of the major precepting authorities. The response was positive as they consider the options being considered will have a small impact on them.
3. Review of current arrangements and recommended approach for 2016/17
- 3.1. Benefits customers are experiencing a time of significant change. Many are, or will be, undergoing assessment to identify entitlement to new types of national benefit which will change the benefit that they receive and the way in which financial support is paid.
- 3.2. The annual increase to allow for rises in the cost of living for many social security benefits was restricted to 1% for working age customers in 2015/16 and these benefits will now be frozen at these levels for working age customers for the next four years. Many CTR customers are receiving less Housing Benefit following the removal of the spare bedroom subsidy for social housing tenants. The Benefit Cap has been introduced and although the number currently affected within the District is low, the impact on individuals is significant. The number of customers affected is expected to increase significantly in 2016/17 when the Benefit Cap is reduced from £26,000 to £20,000
- 3.3. The proposed changes to Tax Credits announced in the summer budget will have an impact on the income of working age customers in work. As their Tax Credit income reduces, their entitlement to Housing Benefit and CTR may increase. Any increase in Housing Benefit is dealt with by the subsidy system for which the Council is reimbursed by the Government. Any increase in CTR has to be considered in the review of the CTR scheme and included in any expenditure estimate.
- 3.4. The current CTR Scheme works well and provides full benefit for those on the lowest incomes and in greatest financial need. The CTR Scheme will need to be reviewed when UC is fully implemented for Winchester residents. At that point, housing costs for working age customers will be transferred to the DWP. However, it is expected that local authorities will retain responsibility for Housing Benefit for pensioners and supported accommodation for working age customers. Local authorities will also have to manage the statutory CTR scheme for pensioners, which mirrors the previous CTB scheme. The programme for UC, which will have an impact on working age customers, has started to be rolled out nationally and went live in Winchester on 21 September 2015 for working age single claimants who would have claimed Jobseekers Allowance. It is being rolled out slowly in phases with completion anticipated for the end of 2020.
- 3.5. The overall level of expenditure on CTR has reduced slightly over recent years. This is a reflection of maintained Council Tax levels and a reduction in caseload. This position is not expected to change significantly.

- 3.6. The current CTR caseload is slowly decreasing. In September 2013 it was 5,749 customers. In September 2014 it had decreased to 5,579 and in September 2015 it had further decreased to 5,511. This can be broken down as follows -

<b>Claim type</b>	<b>Sep 2013</b>	<b>Sep 2014</b>	<b>Sep 2015</b>
Pensioner	2,997	2,856	2,700
Working age household with a child under 5 years of age	479	495	542
Working age household where someone has a disability	863	1132	1,247
Working age household in employment	543	549	561
Working age (none of the above)	867	547	461
<b>Total</b>	<b>5,749</b>	<b>5,579</b>	<b>5,511</b>

(Working age customers, in work, are included in all of the working age groups above)

The table below shows the numbers of working age claimants both in and out of work –

<b>Working age caseload</b>	<b>In work</b>	<b>Out of work</b>	<b>Total</b>
September 2014	1,280 (47.0%)	1,443	2,723
March 2015	1,416 (51.40%)	1,339	2,755
September 2015	1,465 (52.12%)	1,346	2,811

- 3.7. Given the current and future scale of welfare reform, it is recommended that the CTR Scheme for 2016/17 is based on the current Scheme. It is also recommended that there is a further increase in the weekly earned income disregards (to £35.00 for single claimants and £70.00 for other claimants). It is hoped that the further increase in earned income disregards will encourage more customers to take up work or to work extra hours. The table above shows how the numbers of working age customers in work are already increasing.
- 3.8. Although the 2016/17 Scheme will be based on the current Scheme, some amendments will be made to reflect wider legislative changes to Council Tax Reduction and related legislation. These changes do not affect the basic principles of the Scheme and will ensure that the CTR Scheme for working age customers continues to be aligned to the CTR scheme for pensioners and the Housing Benefit scheme. These changes include the removal of the family premium for new claims and a limit on backdating of claims.



- 3.9. The Government initially announced that the family premium would be removed from new working age Housing Benefit claims where a new claim is made on or after 1 April 2016 and that backdating of Housing Benefit claims for working age customers would be reduced from 6 months to 4 weeks. The consultation referred to above included these changes being adopted in the Council's CTR scheme for 2016/17. The Government laid regulations on 9 November 2015 which have implemented the removal of the family premium from 1 May 2016 instead of 1 April 2016, and limited the backdating of claims to 1 month instead of 4 weeks. The amendments to the CTR scheme for 2016/17 will mirror these regulations rather than the options in the consultation, to ensure that it continues to be aligned to the Housing Benefit scheme. No further consultation is required as these changes are more favourable to customers than the options included in the consultation.
- 3.10. It is necessary to present the updated detailed local CTR Scheme for 2016/17 direct to Council on 6 January 2016, as the increases in components used in the CTR calculation will not be available from DWP & DCLG until late December 2015.

#### OTHER CONSIDERATIONS:

#### 4. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1. An *Active Community* is one of the key outcomes of the Community Strategy. One of the key areas of action within that outcome is to *provide housing to meet community needs*. The proposals in this report support that action.

#### 5. RESOURCE IMPLICATIONS

- 5.1. Under the previous CTB scheme, the Council was reimbursed in full, for the amount of CTB paid out correctly, with the exception of the discretionary War Pensions Scheme. In times of economic difficulty, as the amount of benefit the Council paid out increased it was reimbursed by the Government.
- 5.2. Under the current scheme, funding for CTR is included in the local government finance settlement. A specific amount was identified in year one of the Scheme, which included a 10% cut in funding, but since then the funding has been rolled into the settlement and is not identified separately. This funding reduces the Council Tax requirement and off-sets the reduction in the Council Tax Base. Any expenditure above the funding has to be met by the Council and major precepting authorities via the Collection Fund. The Council's share of any surplus or deficit is approximately 13%.

5.3. The total expenditure on CTR over recent years is as follows -

<b>CTR Expenditure</b>	
	<b>£M</b>
Outturn 2013/14	£5.06
Outturn 2014/15	£4.90
Original Estimate 2015/16	£5.08
Current Forecast 2015/16	£4.90
Original Estimate 2016/17	£5.03

5.4. Each year DWP and DCLG set the uplift value for the Housing Benefit Scheme and the CTR Pensioner Scheme. The Council could determine not to implement an uplift or could devise its own methodology to calculate the value of the uplift. However, it is recommended that the components of the CTR Scheme are uplifted in line with the national HB & CTR Pensioner scheme. This approach will ensure that the uplift in the Council's CTR Scheme for working age customers remains in line with the HB & CTR Scheme for pensioners and other national benefits.

5.5. The forecast expenditure for the current year is less than the original budget estimate. The estimated expenditure for 2016/17 is based on the forecast for 2015/16, with an adjustment for the further increase in earnings disregards and the proposed wider changes to Tax Credits legislation which will have an impact on CTR expenditure. As it falls within current budget estimates it does not create an additional budget pressure.

## 6. RISK MANAGEMENT ISSUES

6.1. The Council's Risk Management Policy defines good risk management as "identifying what might go wrong, assessing our level of tolerance towards that and then putting in place measures to prevent the worst from happening, or to manage the situation if something does go wrong. It is also about assessing what must be done to support achievement of the Council's objectives and acting in a way that makes this more likely to happen"

6.2. Due to the new funding arrangements the Council carries the risk that the cost of any CTR Scheme which exceeds budget estimates will need to be borne, in part by the Council, via the Collection Fund. As mentioned previously the Council's share of any surplus or deficit is approximately 13%.

6.3. The estimates provided for the year are projections based on the current year's expenditure with an adjustment for the further increase in earnings disregards and the proposed wider changes to Tax Credit legislation. The position may change due to a number of factors such as:

- the changes to Tax Credits may not be introduced as currently proposed or may have more or less of an impact to CTR expenditure than estimated
- an increase in CTR caseload due to other wider changes to Welfare Reform and the impact that these have on a households income
- an increase in Council Tax levels but this is not anticipated in the medium term.

6.4. CTR expenditure is monitored on a regular basis and any changes to the Council's financial position and circumstances would be identified and reported at an early stage.

BACKGROUND DOCUMENTS:

None

APPENDICES:

None