

AGENDA ITEM 6

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

30 NOVEMBER 2016

REPORT OF HEAD OF CENTRAL SERVICES

LOCAL COUNCIL TAX SUPPORT SCHEME 2017-18

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek member approval for changes to be made to the current Local Council Tax Support Scheme to come into effect on 1 April 2017.

2.0 RECOMMENDATIONS

2.1 **It is recommended to Council that:**

- i) Members consider what level the maximum limit of Council Tax Support should be set at;**
- ii) The Local Council Tax Support scheme is amended to align Council Tax Support to Housing Benefit changes now and for future changes.**
- iii) The Local Council Tax Support scheme is amended to introduce a 'Personal Support Package' scheme which requires Council Tax recipients to work with the Council to meet the conditions of the scheme to continue to receive Council Tax Support,**
- iv) The Local Council Tax Support Scheme is amended to enable Council Tax Support to be limited or withdrawn altogether if a claimant fails to work with the Council and/or does not meet the requirements of their Personal Support Package.**
- v) The Local Council Tax Support scheme is not amended at this time to make changes restricting payments of Council Tax Support to Band D levels**
- vi) The Local Council Tax Support scheme is not amended at this time to make changes to the maximum capital limit of £16,000**
- vii) That delegated authority be given to the Head of Central Services to adjust the Local Council Tax Support scheme annually with regard to uprating personal allowances and premiums and changes to the Universal Credit Scheme affecting the Local Council Tax Support Scheme as announced by Central Government and that the Council's scheme of delegation be updated accordingly**

3.0 KEY ISSUES

BACKGROUND

- 3.1 The Local Government Finance Act 2012 set out measures that required all Council Tax billing authorities to devise a local Council Tax Support (CTS) Scheme to replace the then Council Tax Benefit Scheme. The Council approved a local scheme for Melton on 12 December 2012 and the scheme started on 1 April 2013.
- 3.2 Although the Council brought in a local scheme, this only affected working age people as people of pensionable age had a prescribed scheme laid down by Central Government. Although the Local CTS was based predominantly on the Council Tax Benefit scheme to help continuity for claimants and staff alike it was no longer a benefit but a discount. In 2013/14 the maximum CTS available was 91.5% - i.e. a person of working age had to pay at least 8.5% towards their Council Tax. This figure was originally going to be 88% but due to a late transition grant from the Government the figure was reduced to 91.5%. As the grant was for one year only, the maximum CTS a claimant could receive was reduced to 88% from 1 April 2014. It has been at this level since this date.

The scheme that the Council introduced in 2013/14 was undertaken in partnership with other Local Authorities across Leicestershire. One of the aims of this collaborative working was to try and broadly have a similar scheme across all the Districts/Boroughs in the County, which was achieved. This alleviated any fears of a potential post code lottery within the County. Other outputs from working together were a joint consultation scheme, joint procurement of a financial modelling service looking into the impact of the introduction of the scheme on individuals and families and the introduction of a discretionary Council Tax hardship scheme which provided support to those suffering financial hardship from the introduction of the Local Council Tax Support scheme which is paid by the county who accrues the majority of savings. The review of the existing CTS scheme with proposed changes for 2017/18 is also an initiative across the County with joint working looking at similar proposals for changes, a joint consultation exercise and a joint modelling of the impact of the changes exercise.

DRIVERS FOR CHANGE

- 3.3 A review of the current scheme has been prompted by 2 major drivers. The first affects the whole of the County and has arisen due to the current economic situation affecting Local Authorities. Continued cuts to the amount of government funding the Council receive, means that the Council has to find savings of £900,000 by 2019/2020. Around 86% of the Council Tax income collected is passed to the County Council and the Fire and Police Services whose savings targets over the next four years total around £90million. Potentially, changes to the CTS scheme could contribute to those savings across the county area and reduce the need to make savings in other service areas. The Council has looked at changing our local CTS scheme to try and help meet some of these savings and reduce cuts to other Council services.
- 3.4 The second driver is particular to Melton Borough Council. The Council has adopted an approach which provides co-ordinated support to help people tackle whatever barriers they may face to social, financial and digital independence. In particular we are keen to help customers to move away from relying on CTS to having their own financial independence. The Council is considering changing its local CTS scheme to only provide Council Tax Support to customers who are willing to take steps towards improving their circumstances and become less reliant upon financial support in the future. This work is intended to build on the work already being undertaken within Me and My Learning and Customer Services. The changes to the CTS scheme that have considered is that of the introduction of the Personal Support Package: i.e. to continue to

receive CTS, the claimant must agree a Personal Support package with the Council. Where this has happened and a personal support package has been drawn up with the claimant if the support package is not taken up or adhered to then CTS may be withdrawn and more Council Tax will have to be paid.

Proposed changes to the CTS Scheme

Current Scheme changes

- 3.5 The changes to the scheme considered includes looking at different maximum CTS that is payable to CTS claimants

Option 1	Option 2	Option 3	Option 4
AS IS – leave the maximum CTS at 88%	Amend the maximum CTS to 80%	Amend the maximum CTS to 75%	Amend the maximum CTS to 70%

Three further changes were also considered either as standalone or alongside one of the above options:

- Limit CTS awarded to the Band D level – this means for those people who are on CTS and live in a Band E,F,G or H property, the maximum that could be awarded would be at the level of Band D Council Tax
- £6,000 Capital limit – Under the current scheme a claimant can have the maximum of £16,000 in savings. Above this figure they would not be entitled to CTS. This proposal was to amend this limit to £6,000 – i.e. if a claimant has £6,001 in savings they would not be entitled to CTS
- Align CTS rules to Housing Benefit changes– many customers who receive CTS also receive Housing Benefit (HB). While many of the rules governing both schemes are similar, some of the rules that affect HB entitlement are different from CTS. The changes being proposed are
 - Backdating of claims to one month only
 - For New claims or where a person has had a break in their CTS entitlement and reapply for CTS they would not be entitled to the family premium when calculating their entitlement
 - Minimum award of 50p per week, below this figure there would be no entitlement to CTS
 - Advantageous Changes – If there is a change reported that is disadvantageous to the customer, the Council will be able to go back to the date of the change. If there is a change and this has not been reported within 21 days of the change, then the change will take place from the following Monday.

Additional Change to the Scheme

- Delegated authority is given to Head of Central Services to adjust the Local Council Tax Support Scheme annually to with regard to the uprating of personal allowances and premiums in accordance with the annual uplift announced by Central Government

Personal Support Package

- 3.6 Melton Borough Council provides a co-ordinated approach to delivering the support people need to become less dependent on state benefits.
- 3.7 Through the Me and My Learning (MML) Service, the Council has had a number of successes improving the quality of people's lives. MML provides a co-ordinated approach to delivering the support people need to become more independent. It begins with an initial triage which is carried out when an individual presents, for any reason, at the Council or with one of our partner organisations – for example Jobcentre Plus. If, during that initial conversation, it is identified that there may be additional needs this is followed by a detailed needs assessment during which an individual personalised programme is agreed. This identifies the barriers the individual faces, the interventions needed to address those barriers and the service providers who will help to do this. The approach focuses on employment being a key enabler in achieving and supporting independent living. Mentors work with individuals on a 1:1 basis helping them to progress through their agreed support package.
- 3.8 The Council considers that due to the benefits to the individual and family concerned, the Council and the wider public services, this service should be received by as many people as possible. One of the major issues we currently have is getting people to engage. Once they have, the individuals are appreciative of the help and support that they receive. We need to encourage more people to work with us. To help achieve this, the premise of the Personal Support Package scheme is that if people work with the Council and partners then they will continue to receive CTS, if they do not engage or fail to meet their agreed personal support package then the CTS will be withdrawn.

Appendix A shows the intended framework for the scheme. The way the scheme would work is that if you are on CTS you will, at some stage, be invited to a meeting with a trained Melton Borough Council Officer. At this meeting the Officer will provide information about the different types of support and services that are available for people including getting back into employment or increasing the hours of employment. It begins with an initial assessment of needs during which an individual personal support package is agreed.

The meeting identifies the barriers an individual faces, ways to address those barriers and the service providers who will help to do this. Officers work with individuals on a 1:1 basis helping them to progress through their agreed support package. This may include but not limited to addressing issues such as substance misuse or support with mental health. Employment related support may include ensuring that a claimant has a suitable up to date CV, an email account, digital skills and that they are registered with Universal Job Match.

The aims of this personal support package are:

- Improving life skills and addressing long –term barriers to independent living
- To equip claimants with the skills required so that you have the best chance possible of succeeding in your search for employment.
- To work with those already in low income or low skilled employment to support career progression within the work place.

Further work to develop the Personal Support Package will be undertaken prior to any go-live in April 2017.

Modelling the impact of the proposed changes

- 3.9 To understand the impact of these changes and to support the decision-making process, the Council has undertaken a Consultation exercise – see section 11 and has also employed a company (Policy in Practice) to model the impact of these changes.
- 3.10 To help inform the decision on what, if any, changes are to be made, six of the seven districts have engaged an external partner to undertake the modelling of the impact of the proposed changes on the existing claimants. The added value that the company employed has is that the modelling information not only includes the impact of the proposed changes to CTS in isolation, but also analyses these changes with the other Welfare Benefit changes which affect CTS claimants. Again it should be noted that the modelling is for working age claimants only, as people of pensionable age are not affected. The report can be found at Appendix B
- 3.11 The modelling of the scheme options looks at the current scheme and then models 3 options: A) If the maximum CTS was reduced to 70%; B) If the maximum CTS was reduced to 80% and C) the combination of the Band D and £6,000 caps. The savings shown in the table below are the overall savings. The savings to Melton would be approximately 13.6% of these overall savings. The results of this modelling is considered below:
- Option A: Maximum CTS Set at 70% - Overall savings of this option are £203,662 of which MBC portion is £27,698. The average annual loss to claimants would be £165.58 and 47 households would lose support altogether.
- Option B: Maximum CTS set at 80% - The overall savings would be £91,492 of which MBC portion is £12,442 and 15 households would lose support altogether.
- Option C: Band D and £6K Capital Limits – Overall savings would be £17,650 of which MBC portion is £2,400 and 16 households would lose support altogether.
- 3.12 In addition the modelling data drills down into different household groups – Band of property, Tenure, Household type and economic status and analyses the impacts on these various groups. The results of this are shown below:

Option A – Maximum CTS set at 70%

Households living in band C properties, private tenants, lone parents and households in work face the highest proportion reduction in CTS, compared to the amount of support they would receive if the current scheme was maintained in 2017/18.

Table 1	Households currently in receipt of CTS			
	No households	Average CTS received	Change (£/week)	Change (%)
Band C	102	£11.93	-£3.72	-23.8%
Private Tenants	339	£10.73	-£3.28	-23.4%
Lone Parents	492	£9.53	-£2.98	-23.8%
Employed	337	£5.98	-£2.72	-31.3%

Option B – Maximum CTS set at 80%

Similarly to Option 1, households living in band C properties, private tenants, lone

parents and households in work face the highest proportion reduction in CTS, compared to the amount of support they would receive if the current scheme was maintained in 2017/18.

Table 2	Households currently in receipt of CTS			
	No households	Average CTS received	Change (£/week)	Change (%)
Band C	102	£13.98	-£1.67	-10.7%
Private Tenants	339	£12.52	-£1.48	-10.6%
Lone Parents	492	£11.17	-£1.34	-10.7%
Employed	337	£7.44	-£1.26	-14.5%

Option C – Introducing a band cap at Band D and a capital limit of £6,000

Households living in band E, F, and G properties, private tenants, couples with children and households in work face the highest proportion reduction in CTS, compared to the amount of support they would receive if the current scheme was maintained in 2017/18.

Table 3	Households currently in receipt of CTS			
	No households	Average CTS received	Change (£/week)	Change (%)
Band E,F,G	24	£13.73	-£7.32	-34.8%
Private Tenants	339	£13.42	-£0.58	-4.1%
Lone Parents	492	£12.32	-£0.18	-1.5%
Employed	337	£8.51	-£0.19	-2.2%

To meet the drivers for change based on the modelling and consultation exercise undertaken, it is recommended that the maximum CTS limit is reduced to 80%; CTS is aligned to Housing Benefit changes and that the Council introduces the Personal Support Package and removes CTS for those claimants that do not engage with the Council regarding to meet the requirements of the Personal Support Package.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 The proposed changes would contribute to helping the Council towards the savings that need to be achieved and would also support savings that have to be made by the County Council, Police and Fire services.

4.2 The revised scheme would in particular contribute to the promoting independent lives corporate priority. By moving people away from financial dependence this would have an impact on providing a vibrant economy and towards strong and healthy, resilient neighbourhoods.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 The potential financial savings to the Borough Council and County Council, Police and

Fire Authorities in 2017/18 are shown below.

	Option 1 – As Is	Option 2- Max 70%	Option 3 – Max 80%	Option 4 – Max Band D & Capital Limits
Overall Savings	£18,825	£203,662	£91,492	£17,650
Savings to MBC	£2,506	£27,698	£12,442	£2,400

To help support people who are in severe financial difficulties, a Discretionary Council Tax Support Scheme (hardship fund) has been in operation since April 2013. This is funded by the County Council who provide support to all Districts across the County. Since April 2013, they have provided £50,876 of which £7,451 remains outstanding for the current financial year. The County has been requested to continue to provide support for 2017/18 and to increase the figure of £7,451, particularly if the maximum CTS limit is to be reduced.

In April 2013, due to the decision not to continue with a maximum of 100% support for Council Tax Benefit claimants moving to CTS, the preceptors recognised that in addition to the hardship fund above, that these changes would increase the financial burden on Councils due to the administration of the hardship fund; increase in contacts from customers due to the changes and increased workload due to more accounts going into arrears. To meet these new burdens an ‘administration fund’ was set up to fund additional resources. Contributions have been received from all preceptors (County Council, Fire and Police) towards this fund. This contribution has stood at a fixed amount £14,250 per annum since April 2013

5.2 Further savings can be achieved by claimants working with the Council to either increase their employment prospects or to increase their earning potential for those currently in employment. An additional benefit is that if this is to occur then their new income could also be support for businesses within the Borough as people have more disposable income.

5.3 The costs that have been incurred in delivering this project are:

- Cost of modelling = £7,000
- Cost of consultation = Awaiting confirmation from Leicester City
- Legal Costs = To be decided

There are no expected ICT costs and the major costs have been met through internal resources.

5.4 If the maximum limit of CTS is reduced, there is a likelihood that arrears of Council Tax will increase and more resources will be required to collect these arrears. This will incur the Council in additional time in responding to extra contacts from customers – i.e through face-to-face; telephone, email and letters. There will also be extra work required in taking recovery action against non-payers, including potential additional increase in summons costs. In 2015/16 the Council Tax collection rate for working age people on CTS was 79% against an overall Collection rate of 98.24%. This has shown an improvement against the collection rate at the end of 2013/14 which was 74% but this is a risk that this collection rate will reduce in the light of a large reduction in the maximum Council Tax Support limit. The Council has asked the preceptors to continue with the administration fund for 2017/18, consider increasing their contribution in line with inflation and for the expected increase in workload if the maximum CTS limit is reduced.

6.0 **LEGAL IMPLICATIONS/POWERS**

- 6.1 Billing Authorities are required each financial year to consider whether it wants to revise or replace its scheme. Where there are significant changes, as proposed for 2017/18, a consultation exercise must be undertaken. This requirement has been met. Proposed changes to the scheme are currently being reviewed by the Council's legal team and they will possibly be seeking external advice to ensure the legality of the wording for any proposed changes to the scheme which is to be available before the full Council meeting on 14 December 2016.

7.0 **COMMUNITY SAFETY**

- 7.1 This report has no impact on Community Safety implications.

8.0 **EQUALITIES**

- 8.1 The proposed scheme does not seek to discriminate against any particular group as the proposals will affect all individuals in the same manner and have not been designed to favour one group over another.

An Equalities Impact Assessment has been undertaken (Appendix D) and shows that the proposed scheme does not discriminate against any particular group. As everyone will have to pay something, the impact has been shared across all groups, with no particular group being adversely affected. The mitigation to the changes is met through the continuation of the discretionary discount scheme which provides support to those facing the most severe financial hardship. The proposed scheme also seeks to protect claimants by not making amendments to the current scheme which could have adversely affected particular groups; i.e. removal of premiums related to disabilities such as the Disabled Child Premium. The 'personal Support Package' aspect of the scheme is seen as a positive as it aims to support all claimants on CTS to reduce their financial dependency.

9.0 **RISKS**

9.1

L I K E L I H O O D	A	Very High				
	B	High				
	C	Significant		4,5		
	D	Low	1	2,3		
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	<i>Failure to approve the changes indicated will result in continuation of the current scheme</i>
2	<i>If not approved there will be no additional savings made</i>
3	<i>A Legal challenge could be made by individuals or representatives unhappy with the changes</i>
4	<i>Council Tax collection rates may be adversely affected by reducing the maximum CTS limit</i>
5	<i>Increased workload – may be a factor due to more contacts with customer services and more time spent on recovery of unpaid Council Tax</i>

10.0 CLIMATE CHANGE

10.1 There are no climate change implications as a result of the proposed new scheme

11.0 CONSULTATION

11.1 The major part of the public consultation has been through a web-based approach undertaken through joint working with other Leicestershire Local Authorities and Leicester City Council. The consultation ran for a period of 4 August 2016 until 28 September 2016, a period of 8 weeks.

To promote the consultation, a number of initiatives were undertaken:

- Email to Councillors - to advise of the campaign and to support as appropriate
- Email to voluntary groups – Voluntary organisations working within the Borough and in particular with vulnerable people were contacted and invited to respond on behalf of their organisation and also to promote with their client group
- Email to the Council ‘email group’ – targeted at those who have indicated a willingness to interact with the Council
- Email to Parish Clerks – Parish Clerks advised of the consultation with leaflets/posters to enable them to publish the consultation in their parishes

- Email to All Council staff – encouraging Council staff to promote with their contacts
- Twitter – concentrated campaign on twitter to promote the consultation
- Facebook – to reach those people on social media
- Press Release – issued to increase coverage
- Posters – put up in Council buildings
- Face-to-face – Council staff to encourage take-up of the scheme with people visiting Parkside
- Email signatures – Council staff amending their email signatures to include a link to the consultation questionnaire to enable easy access for customers to take part
- Inserts with Council Tax bills – leaflet to promote the consultation when sending out Council tax bills
- Inserts with benefit notification letters – leaflet to promote the scheme to those directly affected by the proposals
- Engage – a ‘pop-up’ on the Council website to target people visiting the website and in particular those people looking at CTS pages on the website
- Presence at the TFEC breaking boundary event – to encourage take-up of the consultation.

The consultation covered the 4 ‘main option changes: 1) As is 2) maximum CTS limited to 80% 3) maximum CTS Limited to 75 % and 4) maximum CTS limited to 70% and the ‘other’ options:

- Do you agree that the Council should restrict payments of Council Tax Support to Band D levels
- Do you agree that if customers have over £6,000 in savings they should not be able to claim Council tax Support?
- Do you think that the Council should bring into line housing benefit rules in the new local CTS scheme even if it means a person may get slightly less CTS?
- Do you agree that customers who are receiving CTS should work with the Council with an aim of reducing dependency on CTS and state benefits?
- Do you agree that the Council should limit or remove the amount of CTS a customer receives if they fail to effectively work with the Council?

Further information on the consultation can be found at Appendix C and covers analysis of Melton Borough Council responses; analysis of responses across the County; analysis of those people who have responded and a sample of the individual comments both for and against making changes to the maximum limit for Council Tax Support.

A total of 130 completed questionnaires were received. This is more than responded to the consultation in 2012 and proportionally was the second most successful consultation in Leicestershire.

A summary of the results is shown below:

Main Options	Not on CTS		Receiving CTS		Total	
	Yes	%	Yes	%	Yes	%
1 – As is – No Change	32	26	10	72	42	31
2- 80%	32	26	2	14	34	25
3- 75%	25	22	0	0	25	19

4 – 70%	32	26	2	14	34	25
Total	121	100	14	100	135	100

The option that received the most favourable response, although with a low percentage, was the As is option with 31%. However 69% of the responses considered that there should be a reduction to the maximum CTS, although there is no census on what this figure should be.

Other Options	Yes	Yes %	No	No %	Don't know	Don't know %	Total
Align to Housing Benefit	76	58	19	15	35	27	130
Restrict to Band D	70	54	43	33	17	13	130
Limit to capital of £6K	68	52	48	37	14	11	130
Work with the Council to reduce financial dependency	99	76	19	15	12	9	130
Limit or remove CTS	76	58	34	26	20	15	130

All the above options, received a majority Yes response, with a significant number of responders indicating that CTS claimants should work with the Council to help reduce their financial dependency.

As a comparison for members, the tables below show the situation across the County including Melton's figures.

Main Options	Not on CTS		Receiving CTS		Total	
	Yes	%	Yes	%	Yes	%
1 – As is – No Change	246	46	331	74	577	59
2- 80%	102	19	77	17	179	18
3- 75%	78	15	25	6	103	11
4 – 70%	106	20	15	3	121	12
Total	532	100	448	100	980	100

Other Options	Yes	Yes %	No	No %	Don't know	Don't know %	Total
Align to Housing Benefit	370	39	249	26	335	35	954
Restrict to Band D	365	41	307	35	210	24	882
Limit to capital of £6K	243	48	205	41	58	11	506

Across the County the view is that there should be no change. However it should be noted that where Melton's maximum CTS limit is set at 88%, the current figures across the County are shown below together with estimated figures for 2017.18 known at time of writing the report

	Current	Proposed
Hinckley and Bosworth	-88%	88%
Blaby	-85%	not as far as 75%
Charnwood	- 85%	85%
Harborough	- 85%	75% (possibly 70%)
N W Leics	- 85%	75% (possibly 70%)
Oadby & Wigston	- 85%	85%

It should also be noted that Leicestershire County Council has written to the Council and stated that their preferred option is for the maximum CTS to be set at 70%. The full response from the County Council is shown below:

'The County Council is pleased that a joint public consultation is being undertaken on changes to the Local Council Tax Support schemes.

The Council is keen for the schemes to be revised to;

- a) Improve the fairness of support levels and, where possible, have consistent schemes across Leicester and Leicestershire, and*
- b) Maximise Council Tax income available to the Council and wider public sector.*

Q1: Make no change to the current limit of support?

Q2: Reduce the maximum support to 80%?

Q3: Reduce the maximum support to 75%?

Q4: Reduce the maximum support to 70%?

As District Councils know the majority of any reductions in support levels will accrue in extra income to the County Council rather than District Councils, although a meaningful amount will also go to Fire and Police. Although the County Council recognises the final decision will be a balanced one that will need to take account of the public consultation and impact assessments, the Council would urge you to take due account of the impact on the wider public sector's financial position when considering any changes to the scheme. The County Council believes that our position as the lowest funded County Council in the country and the significant savings we need to make is well known. Failure to generate extra council tax income will mean even more savings will need to be made. The County Council would therefore support District Councils to reduce the levels of Council Tax support to 70%.

The County Council has acted quickly to plan sensibly for the impact of austerity and has already made savings of around £135m over the last six years and is set to make further savings of around £100m over the next five years. Those earlier savings were weighted towards efficiency savings but the scope for further efficiencies is diminishing and the balance of savings will need to move towards service reductions, which will impact on the service users and residents of the County.

The County Council recognises the impact of the changes on affected groups and will continue to provide funding to support the most vulnerable people affected through a discretionary discount fund contribution.

Other questions:

Restricting the amount of payment of LCTS support to a maximum of Council Tax band D?

Reducing the level of savings for customers to £6,000 before they can be considered for Council Tax Support?

On the basis of fairness and consistency of scheme across Leicester and Leicestershire the County Council feels that these are sensible proposals.'

Members were also invited to attend a presentation by Policy and Practice on 21 November 2016 to provide information on the potential implications of the proposals and allow them to ask questions on the options considered in detail.

12.1 All wards with CTS claimants are affected by this scheme

Contact Officer M Bowen

Date: 07.11.16

Appendices :
Appendix A – Personal Support Package
Appendix B – Council Tax Support Modelling for Melton Borough Council
Appendix C – Consultation Responses
Appendix D – Equality Impact Assessment

Background Papers: None