

Council Tax Support Scheme Report of the Overview and Scrutiny Board

1. Background

- 1.1 Council Tax Benefit (CTB) is designed to provide help to those with low income and with few savings to either fully cover or effectively reduce a household's council tax liability.
- 1.2 Torbay Council's Revenue and Benefits Service currently administers CTB in accordance with national criteria set by the Department of Work and Pensions. The Council is reimbursed in full by the DWP for CTB awarded, therefore the risk of increasing claim numbers is met in full by Central Government.
- 1.3 As part of the Comprehensive Spending Review in 2010, the Government announced that it would localise support to help meet the costs Council Tax from 2013-14 and reduce Government expenditure by 10 per cent through a reduction in the grant paid to Councils.
- 1.4 The Welfare Reform Act contained provisions to abolish the existing Council Tax Benefit scheme and the Local Government Finance Bill contains provisions for the establishment of a localised Council Tax Support Scheme.
- 1.5 From 1 April 2013 the provision of the Council Tax Support Scheme and the associated funding will be transferred to local authorities via the Department for Communities and Local government (DCLG) rather than the Department for Work and Pensions (DWP) as now.
- 1.6 The new scheme must be in place by 31 January 2013 or the Government default scheme (which is modelled on the current Council Tax Benefit scheme) will be imposed which would have no scope for making the required savings. This would cost Torbay Council approximately £1.6 million which equates to a 10% reduction in the grant paid by Government (it should be noted that this figure does not take into account increases in demand or Council Tax levels from April 2013).

2. The Government proposals for the new scheme

- 2.1 Localising support for Council Tax is part of the Government's wider policy of decentralisation – giving councils increased financial autonomy and a greater stake in the economic future of their local area.

2.2 The main principles of the new scheme are that local authorities will have a duty to run a scheme to provide support for council tax in their area which meets the following principles:

- Pensioners should see no change in the current level of awards as a result of this reform
- Local authorities should also consider ensuring support for other vulnerable groups
- Local schemes should support work incentives, and in particular avoid disincentives to move into work

Support for Pensioners and Vulnerable groups

2.3 As the Government propose to prescribe its own criteria to guarantee protection for low income pensioners this will need to be taken into account within the local scheme.

2.4 Local authorities already have clearly defined responsibilities in relation to vulnerable groups other than pensioners under the following:

- Child Poverty Act 2010 – imposes a duty on local authorities and their partners to reduce and mitigate the effects of child poverty
- Disabled Persons (Services Consultation and Representation) Act 1986 and Chronically Sick and Disabled Persons Act 1970 – which include a range of duties relating to welfare needs of disabled people
- Housing Act 1996 - which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

2.5 When designing the local scheme it will need to comply with the public sector duty in Section 149 of the Equality Act 2010 and will need to be assessed against our standard Equality Impact Assessment (EIA).

2.6 These various “protections” will result in a disproportionate impact on those that are not protected such as those in low paid employment.

Work Incentives

2.7 Localism of support for council tax is part of the wider set of changes to reform the welfare system. The Government principles are:

- People should get more overall income in work than out of work
- People should get more overall income from working more and earning more

- People should be confident that support will be provided whether they are in work or out of work and will be timely and correct

2.8 The 10 per cent cut in funding is likely to result in a cut to support for single people and couples of working age who are low paid. This would be seen as supporting the government's work incentives contained in the Universal Credit.

3. Development of Torbay Council's Council Tax Support Scheme

3.1 The Overview and Scrutiny Board, at its meeting on 3 October 2012, received a report which set out how the Council had worked with other Devon local authorities to establish a common framework for the new Council Tax Support Scheme. It was noted that the Council was proposing to adopt the existing Council Tax Benefit Scheme but, in order to make up the losses from the reduction of the grant subsidy, there would need to be changes to some elements of the scheme.

3.2 The proposals which had been subject to consultation were:

- Limit the maximum level of support to 75% of their Council Tax Liability
- Restrict the maximum level of support to a Band D charge.
- Withdraw the second adult rebate
- Reduce the upper capital/savings limit from £16,000 to £6,000

3.3 The Council consulted with residents, especially those who will be affected by the proposal, through a survey which had been developed in conjunction with other Devon authorities. The consultation had run for eight weeks until 1 October 2012 and had been available in a variety of forms. A draft Impact Assessment had also been drafted which would be reviewed and updated following the consultation feedback and then used to inform the final recommendations which would be considered by the Council at its meeting in December 2012.

4. Initial Findings from the Overview and Scrutiny Board

The Proposed Scheme and its Impact

4.1 The Board heard that there were just over 65,000 Council Tax banded properties in Torbay with approximately 2000 of these exempt for one reason or another meaning that there were around 63,000 properties in Torbay in respect of which Council Tax was due. Of these households, approximately 45,000 pay the full liability.

4.2 It was clarified that the single person rebate (whereby a single person occupying a property was eligible for a 25% discount) would continue under the new Council Tax Support Scheme. The proposals in relation to

withdrawing the Second Adult Rebate refers to the rebate that claimants may get if they share their home with another person who is:

- not their partner or civil partner
- aged 18 or over
- not paying the claimant rent
- not paying Council Tax themselves
- on a low income

4.3 Within Torbay, it was noted that there were currently 145 people claiming Second Adult Rebate of which 87 were of working age (the other 58 were pensioners).

4.4 Each of the four options (set out in paragraph 3.2) for the new Council Tax Support Scheme could be implemented although it was recognised that the first option would generate the highest level of saving (£2.2 million based on current data) which would be used to offset the reduction in the Government grant.

4.5 It was noted that the reduction in the grant that the Council received from Government (which equated to £1.6 million in Torbay) would ultimately be a reduction of money could have previously been spent within the private sector. It was noted that, combined with forthcoming Housing Benefits changes, there would be a significant impact on the local economy. The Strategic Welfare Group (under the chairmanship of Interim Chief Operating Officer) aim to gain an understanding of the cross cutting impacts of the range of benefit changes. The Director of Children's Services also sat on this Group and would provide a link to the newly formed Child Poverty Commission.

4.6 Members questioned whether research had been commissioned on the numbers of families with children who would be impacted by the introduction of a local Council Tax Support Scheme.

4.7 It was reported that a recent Institute of Fiscal Studies Briefing Note¹ set out:

“the estimated impacts on household incomes of tax and benefit reforms due to be implemented in 2012–13. These amount to a net ‘takeaway’ of about £4.1 billion (an average of £160 per household) in that year, rising to about £9.8 billion (£370 per household) in 2013–14 once all the revenue from tax liabilities accruing in 2012–13 has been collected and once the full-year effects of changes to fuel duties and Child Benefit (in August 2012 and January 2013 respectively) are felt.”

4.8 **The Board recognised that the Government requirement to introduce a Local Council Tax Support Scheme (taken with other**

¹ “Tax and benefit reforms due in 2012-13, and the outlook for household incomes.”
Institute of Fiscal Studies Briefing Note BN126 (Robert Joyce) (March 2012)

welfare reforms) was likely to have a substantial, adverse impact on the local economy and that awareness of this should be raised by a range of different means.

- 4.9 **In understanding the impact, it would be helpful for a view to be taken on the areas of Torbay in which the residents lived who would, if the proposals was implemented, be required to meet at least 25% of their Council Tax liability.**
- 4.10 **In addition, the specific impact that the introduction that the Local Council Tax Support Scheme will have on children in Torbay be considered and that the Strategic Welfare Group and the Child Poverty Commission be urged to continue to work together to mitigate this impact.**
- 4.11 The Board considered the impact that the introduction of the Scheme may have on the Council's collection rate for Council Tax. The Council currently collects approximately 96.5% of its Council Tax in the year to which it relates. Overall, the collection rate is around 98-99%. The Council has a responsibility to collect any charge that it sets and the process for collecting unpaid Council Tax would remain the same when the new Scheme is introduced. However, as the Council would be collecting from some people who have never paid Council Tax, there was an increased risk that this collection rate would fall.
- 4.12 The impact on the council's collection fund would be considered as part of the budget round for 2013/2014 with the risk of a decreased collection rate being shared(proportionately) with Devon and Cornwall Police Authority and Devon and Somerset Fire Authority. (As Brixham Town Council is classed a local precepting authority, it would not be a risk due to non-collection).
- 4.13 Ultimately any reduction in income would have a knock-on effect on the Council's budget.
- 4.14 **The Board has every expectation that residents will pay their Council Tax and will recognise that the Council is being required to make these changes as a result of Government legislation. Equally, the Board endorse the need for there to be robust procedures in place to collect Council Tax. There will, however, be a need to assess the impact on the Collection Fund as the Local Council Tax Support Scheme is implemented.**
- 4.15 In considering which other options were explored before the proposals for the local scheme were put forward for consultation, the Board heard that various options had been considered both locally, in different Devon authorities and across the Country as a whole.

The Consultation and Equality Impact Assessment

- 4.16 The consultation on the proposed scheme had been available in a number of ways:
- All working age customers had been sent a letter advising them of the forthcoming changes and the consultation
 - Surveys had been sent to a random sample of both Council Tax Benefit claimants and Council Tax payers
 - Additional letters were hand delivered to claimants by Visiting Officers
 - The questionnaire was available via the Council's website
 - Paper surveys were available in libraries and Connections offices
 - Customer Service Advisors directed customers to the survey
 - The ViewPoint panel were invited to take part in the consultation
 - Councillors were made aware of the consultation via the Members Information Bulletin and were able to distribute them to their constituents
 - Leaflets and posters were sent to a variety of agencies including Westcountry Housing, Sanctuary Housing and Citizen's Advice Bureau
- 4.17 A 5% response rate had been achieved for the consultation. In analysing the results of the consultation, answers from claimants and non-claimants would be able to be separated. Preliminary results had been reviewed on 18 September. However between that date and the meeting of the Overview and Scrutiny Board, the response rate had doubled and therefore it was not a fair reflection to share those results.
- 4.18 **The Board congratulated the officers involved in undertaking the consultation but were disappointed at the response rate. It was felt that, whilst various means of raising awareness with the public of the consultation had been pursued, those means may not have been wide enough.**
- 4.19 The Equality Impact Assessment had been used to identify gaps in the consultation process. The consultation document had asked for views on the impact of the proposed changes and the responses to these questions would be fed back into the Equality Impact Assessment and be used to determine mitigating actions such as signposting to other means of support.
- 4.20 It was accepted that some of the proposals in the Local Scheme would have a disproportionate impact on some groups within the community. Some mitigating support would be made available. The establishment of a Hardship Fund had been accepted although the level of funding available and the criteria against which applications would be judged was still to be determined. The level of the Fund would need to be considered against other priorities within the Council's revenue budget for the forthcoming year and would also need to be considered alongside other schemes such as Discretionary Housing Payments and "Section 17" payments which could be made by Children's Services.

- 4.21 **The Board felt that the broader details of the Hardship Fund needed to be defined prior to the final Council Tax Support Scheme being agreed and that, in order for proper consideration to be given these criteria, those groups of people who will be disproportionately affected need to be identified.**

5. The Final Proposals

- 5.1 The Overview and Scrutiny Board gave their final consideration to the proposed Council Tax Support Scheme which was presented alongside the results of the consultation and the final Equalities Impact Assessment.
- 5.2 In response to questioning, the Board heard that the technical discounts which the Council could apply to Council Tax were being actively considered and any changes would be proposed when the Council Tax Base was considered by the Council. **It was suggested that this information could be modelled and provided alongside the Council Tax Support Scheme.**
- 5.3 It was noted that the Equalities Impact Assessment had highlighted a disproportionate impact on households where a Band D restriction combined with the 75% limitation applies and that, as a result, it was being recommended that this proposal be delayed for the first year of the scheme to enable affected customers to consider alternative arrangements.
- 5.4 It was also noted that it was proposed that a Hardship Fund of £80,000 be established but that the details of how the Fund would operate were currently being developed. Similarly a Vulnerability Policy was being developed that this had not been available for consideration alongside the Scheme.
- 5.5 In considering the reports before it and the answers received at its meeting, the Board made the following comments:

Given the potential impact on vulnerable people, as identified in the Equalities Impact Assessment, the Council should look to continue to provide a proactive system of managing the impact of the Council Tax Support Scheme rather than a reactive system. The Overview and Scrutiny Board is concerned that there may not be the capacity within the relevant teams to respond to concerns identified via (amongst other things) the Council's automated systems. To mitigate these fears, the draft Hardship Scheme and Vulnerability Policy should be provided to the Council when it considers the Council Tax Support Scheme.