

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 15th September 2014

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WARD(S): All

PORTFOLIO: Councillor Rob Anderson, Commissioner for Finance & Strategy

PART I KEY DECISION

COUNCIL TAX SUPPORT SCHEME – 2015-16

1 Purpose of Report

To consider and approve potential changes to the Council Tax Support scheme which could require consultation over the Autumn in advance of the Council Tax Support scheme for 2015-16 that requires approval in January 2015.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- (a) That Option 2, as detailed in section 9 of the report, be pursued whereby the Council consults on some revisions to the Council Tax Support scheme if these are financially beneficial following review of the modelling with the Leader.
- (b) To uprate the relevant applicable amounts included in appendix A.
- (c) That officers explore the different scheme options available and bring these back to Cabinet for a subsequent decision in respect of the 2016-17 financial year.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Corporate Plan

3a. Slough Joint Wellbeing Strategy Priorities

The report indirectly supports all of the Community Strategy priorities and cross cutting themes. The maintenance of excellent governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

4 **Other Implications**

(a) Financial

See section 7 of the main report. Assuming that the level of Council Tax Support claimants remains the same as previously, the level of cost and financial risk remains the same. Any increase in claimants will mean a decrease to the net collectable debit of Council Tax collect and vice versa.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal		
Property		
Human Rights		
Health and Safety		
Employment Issues		
Equalities Issues	EIA to be completed in conjunction with the consultation	
Community Support		
Communications	Any changes will need to be communicated clearly to ensure residents are aware of any changes to the scheme	
Community Safety		
Financial	Detailed in the report	
Timetable for delivery	Consultation to commence in early Autumn to provide sufficient time to analyse and consider responses	
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

None at present.

(d) Equalities Impact Assessment

An EIA will be completed in conjunction with any consultation that might take place and this will then be reported with the final paper for members

to make a decision upon in the coming months. If there is to be no change to the scheme then an EIA will not be required.

5 Supporting Information

- 5.1 Council Tax Support (CTS) was introduced in April 2013, the purpose was to move from a government scheme set up under primary regulations to a Local Scheme which was enacted by primary legislation but allowed the Local Authorities (LA's) to develop their own scheme which met the needs of local people.
- 5.2 The Slough scheme was devised based on the customers in receipt of Council Tax Benefit at the time, the current spend, the potential changes to the scheme and the financial effects of the new scheme
- 5.3 The intention was to reduce the amount of Council Tax Support paid from that paid under the previous Council Tax Benefit scheme to take into account the reduction in funding from central government. The current scheme ensures that every Council Tax payers pays at least 20% of their Council Tax bill.
- 5.4 The current legislation states that the scheme must be reviewed by members each financial year and approved no later than the 30th January preceding the start of the new financial year.
- 5.5 If there are changes to the current policy legislation states that these changes must be consulted on. Minor changes such as uprating would be exempt from this consultation process
- 5.6 There is currently no provision in the legislation to amend the scheme mid-year.
- 5.7 This report sets out the current Council Tax Support scheme with the financial information and proposals for the 2015-16.

6. Background

- 6.1 In November 2012, the Government passed legislation to abolish the Council Tax Benefit Scheme and offered Local Authorities the option to develop their own Council Tax Support Scheme or adopt the Governments default scheme.
- 6.2 Slough Borough Council decided to develop its own scheme and at the meeting of 27th November 2012 Council delegated to Cabinet the approval of the scheme. In December 2012 Cabinet approved the current scheme which has been in operation since April 2013.
- 6.3 As the scheme has to be reviewed and approved each year by members for the new financial year members agreed that as there was limited information available about the effects of the scheme and the financial implications as a full year of the scheme had not elapsed, the 2012-13

scheme with upratings would be used in 2013-14, this was approved by cabinet on 16th December 2013.

7 The Current Scheme

7.1 The Council Tax Support legislation stated that all pensioners should be protected from the changes and therefore the current scheme made no changes to the calculation of Council Tax Support for pensioners from the original benefits legislation.

7.2 The legislation also stated that

• Local authorities should also ensure support for vulnerable groups;

Slough Borough Council defined vulnerable groups as those who had a member of their household receiving a disability premium and protected all these households from the changes in the legislation

We also continued to protect those in receipt of War Widows and War Disablement Benefit

• Local schemes should support work incentives, and in particular avoid disincentives to move into work.

The current scheme ensures that we support people into work by providing a “run on” (where we continue to pay benefit at the same rate for four weeks after they start work) of their benefits when they first start work.

7.3 The principals of the current scheme were defined as follows

- The maximum Council Tax Support to be awarded would be 80% of the charge
- The maximum amount of charge to be used in the calculation would be band C
- Child Benefit would be taken into account in the calculation
- Removal of Second Adult Rebate where the Claimant is of working age

7.4 In addition two changes were made to Council Tax Discounts and Exemptions

- Removal of discounts for second homes
- Removal of exemptions for empty properties and those undergoing repair

A third change was suggested and agreed by members, of removing the discount for mortgagee's in possession , however DCLG did not have the legislation approved and this could not be implemented.

7.5 The cabinet report also set out the income and expenditure expected to be achieved in 2014-15 scheme

8 Council Tax Support 2015-16

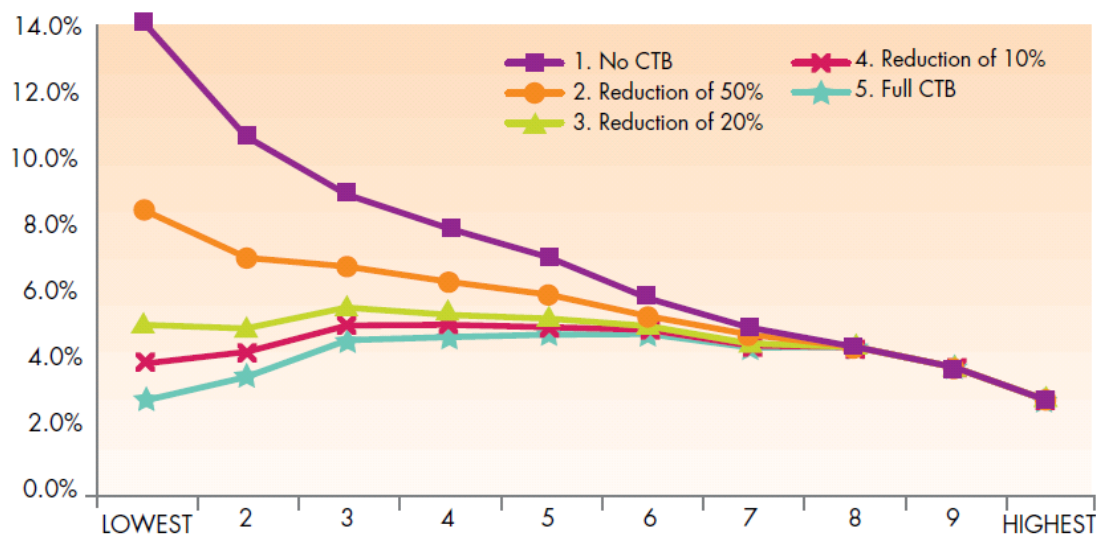
8.1 The time has come to review the scheme that has been in operation since April 2012 and decide on the scheme that SBC will want to operate in 2015-16.

8.2 The legislation states that changes to the scheme must be subject to consultation, DCLG have refused to comment on what level of changes should be subject to consultation but many authorities are taking the view that if there are no changes to the scheme apart from the uprating of premiums and applicable amounts, then consultation is not necessary. For any other changes consultation is compulsory. Some authorities where they have made minor “tweaks” have only put the consultation on their website.

8.3 The Local Government Association completed an analysis of the CTS schemes in January 2014 and shows that, with no support measures in place, the percentage of income that Council Tax represents varies significantly. The current scheme with a 20% reduction can be seen, in light of the below, as the scheme which promotes probably the most equity within the limits of equitability of the current Council Tax arrangements.

Chart 1.1: LGA analysis of Council Tax

Council tax as a proportion of net household income after housing costs by income decile, under different council tax support schemes



- 8.4 There are a number of options available for 2015-16 and beyond if we wish to do anything apart from maintain the current scheme with the upratings we need to make decisions now in order to meet the consultation requirements as set out below:
- A full consultation. The recommended time is a minimum of six weeks but for larger changes to the scheme good practice would suggest that this should be longer. This would mean that a consultation would need to be available from September 2014
 - Depending on the changes Capita our software supplier would need to be notified and the system amended to take into account the changes
 - The full report on the changes including the outcome of the consultation would need to be approved by CMT and further approved by Cabinet in December 2014 to meet the deadline of the end of January 2015.
 - Staff would need to be trained
 - There would need to be a full publicity campaign to make Customers aware of the changes
 - This would all need to be in place before the annual Council Tax bills are produced at the beginning of March 2015

9 Options for 2015-16

- 9.1 There are a number of options available for 2015-16 and going forward into 2016-17 and beyond.
- 9.2 Consultation would be required for Options 2 and 3
- Option 1 - Uprate standard percentages as for 2014-15
- Option 2 - Uprate the standard percentages and make additional changes to ensure that the budget was met
- Option 3 - Change the scheme to an income band scheme
- 9.3 Pensioners remain a mandatory protected group and DCLG continue to prescribe the criteria and allowances for them via regulations. This applies to both existing customers of pensionable age and new customers of pensionable age as defined in the pension credit regulations'.
- 9.4 CTS is a Council Tax discount as opposed to a benefit and as such will impact on SBC's tax base.

9.5 Option 1 - Uprate standard percentages as for 2014-15

This option is the most simple and straightforward and would require no consultation. SBC would uprate all the applicable amounts and premiums used in the calculation in line with the Housing Benefits and CTS uprating figures provided by the government in the same way that the uprating was carried out for 2014-15

There would be no need for system changes

The expenditure would be similar to 2014-15 if we assume that there is no increase to Council Tax or the number of recipients of CTS.

9.6 Option 2 – Uprate the standard percentages and make additional changes to improve the financial position

This will require a review of the expenditure of the CTS scheme, SBC could model the various scenarios and project expenditure and use the various models for the consultation exercise.

The Council would need to uprate the applicable amounts and premiums as per option 1 and then review what additional changes could be made to the current scheme.

There are a number of possible options/ scenarios that can be taken into consideration when reviewing the scheme for 2015-16 these are attached at Appendix A.

It must be noted that any reduction on the CTS scheme will increase the amount of cash that Arvato will need to collect on behalf of SBC to make these changes viable.

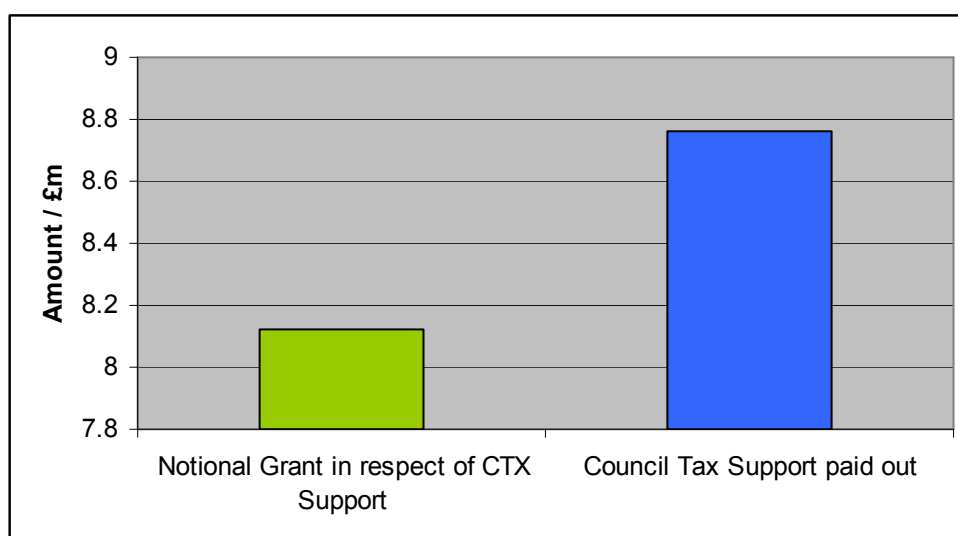
9.7 Option 3 – Change the Scheme to an income band scheme for 2016-17

Another Council has changed their scheme to an income band scheme. Assuming Cabinet approval, officers will investigate the possibility of implanting a scheme like this for Slough and will review any other variations of CTS schemes and their implications for Slough. This work will be brought to members in the next financial year.

10 Financial outturn 2013-14

10.1 The 2013-14 financial year was the first full year of the Council Tax Support Scheme. For 2013-14 the Council was fully responsible for the Council Tax Support paid out, and Government provided, as part of the overall Revenue Support Grant and Retained Business Rates, a notional element of funding in respect of CTX Support. This was reduced nationally by 10% compared to the previous Council Tax Benefit provided.

Chart 1.2: CTX Support paid vs. notional CTX Support Grant



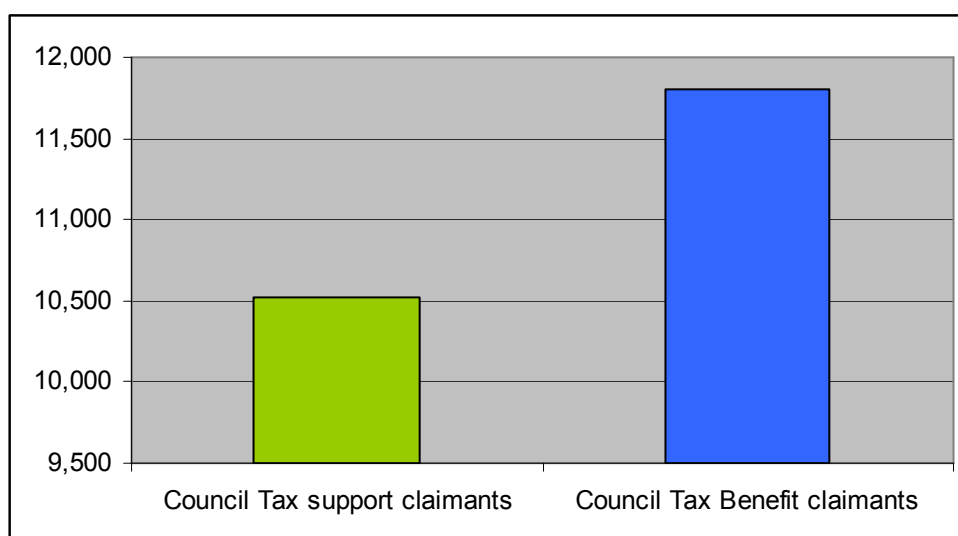
10.2 The percentage collection rate at the end of 2013-14 was 94.8%, this was down by 0.5% compared to the 2012-13 position. The average decrease in collection rate for unitary authorities was 0.6% year on year. It should be noted though that Slough's collection was starting from a comparatively lower base than others (48th out of 56 nationally for 2013-14). More detailed analysis from the LGA has been provided below:

Table 2.1: Council Tax collection rate changes by type of scheme

Collection rate for council tax base purposes	2012/13	2013/14	Drop in collection rate
default scheme	97.4%	97.1%	0.3%
no cut	98.6%	98.2%	0.4%
cut of 8.5% or less	99.0%	98.2%	0.8%
cut of more than 8.5%	98.6%	97.9%	0.7%

10.3 The position above was also complicated by a collection fund surplus i.e. the Council collected more Council Tax than anticipated when the budget was set for 2013-14. Much of this can be attributed to a rise in the Council Tax base, which for 2013-14 was not driven solely by increased properties but also a decrease in the number of people claiming Council Tax Support compared to Council Tax Benefit.

Chart 1.3: Council Tax Support vs. Benefit claimants



11. Financial Implications 2015-16 and beyond

11.1 As Cabinet are fully aware, the Council faces significant funding reductions going forward. Option 1 would do nothing to alleviate these problems, though if approved would maintain the status quo. Option 2 could improve the Council's financial standing potentially and this will be investigated. Option 3 could also have a significant financial benefit but is not achievable until 2016-17.

11.2 **Option 1** – the financial implications for this option would be negligible as there would be no need to consult, the Capita system is already set up for this scheme and the uprating is a normal part of the year-end process.

11.3 The actual costs of the scheme would remain as now, just under £9m on the assumption that there is no increase in the Council Tax charge and the economic climate remains as now. This is a key risk and opportunity to the Council, but one broadly out the Council's control. The taxbase will rise with the fewer CTX claimants there are, which would be because of better economic opportunities and jobs created locally.

11.4 It would be good practice to do a small amount of publicity reminding Customers about the scheme and informing them that there will be no major changes

11.5 **Option 2** – The financial implications would include the costs of a full consultation exercise, the costs of a small amount of training, and publicity regarding the changes.

11.6 The Capita system is already set up for these types of changes and would not involve a cost

- 11.7 The actual costs of the scheme can be reviewed as modelling takes place on the types of changes that customers may wish to see from the consultation exercise and that Slough wish to consider.
- 11.8 The costs of the scheme can be reduced by making changes outlined in Appendix A.
- 11.9 However any changes made which reduce the costs of the scheme will only be effective if there is a corresponding increase in collection of Council Tax otherwise there will be no benefit to the Council

12 Recommendations

- 12.1 To approve items 1-6 in appendix A (depending on further points, item 5 might be redundant)
- 12.2 To approve a revised scheme in line with section 2 *if* there is a financial benefit of doing once the modelling has been completed
- 12.3 To approve for officers to put in steps place to work up option 3 for 2016-17 and understand the implications of this.

13 Comments of Other Committees

n/a

14 Conclusion

Subject to outcome of the financial modelling, members are requested to approve option 1, uprating the scheme, and some of the options in option 2 which could yield additional Council Tax.

15 Appendices Attached

'A' - Scenarios for uprating and changing the scheme

16 Background Papers

- '1' - Slough BC Council Tax Support scheme 2014-15
- '2' - Council Tax Support legislation
- '3' - Council Tax collection statistics
- '4' - LGA Council Tax Support paper

Appendix A

There are a number of possible options/ scenarios that can be taken into consideration when reviewing the scheme for 2015-16 these are attached at Appendix A

	Change	Comments / Consultation	Financial Implications
1.	Annual uprating of applicable amounts and premiums	It is the choice of the LA whether any uprating is implemented, however not uprating the applicable amounts and premiums will increase the costs of the scheme to the LA and increase the costs of Council Tax to working age Customers. (Pensioners will be automatically uprated under the protection they currently have)	To uprate – Costs Neutral To chose not to uprate could increase the costs of the scheme to the LA
2.	Annual uprating of non dependant deductions	It is the choice of the LA whether any uprating is implemented, however not uprating the non dependant deductions will increase the costs of the scheme as the customers with non dependants in their households will have less to pay against the charge.	To uprate – Costs Neutral To chose not to uprate could increase the costs of the scheme to the LA
3.	Including mid year changes to the Housing Benefit legislation e.g. EEA workseekers and permitted earnings disregard etc	It is the choice of the LA whether this is included but keeping the scheme generally in line with the Housing Benefit legislation means that it is easier to administer and easier for the Customers to understand	This will keep the scheme in line with Housing Benefits. Costs minimal
4.	Backdating rules should we equalise these for pensioners and non pensioners	Currently pensioners can have their benefit backdated up to three months and non pensioners up to six months and we carried this over from the Council Tax Benefit scheme, should we consider ensuring that all backdated is a maximum of six months? We would need to consult on this change	If this was equalised at three months this could save the LA £10-15k per annum

5.	The legislation states we should consider a transitional protection scheme if we make any amendments to the scheme	This would be necessary if we made any major changes to the scheme - the transitional protection scheme would be devised by SBC including the timescales for transitional protection.	
6.	Do we continue with the Hardship Fund	<p>We chose to develop a Hardship Fund which was seen as good practice and a sum was allocated to the fund, very little has been used at this time but it would be good practice to maintain the fund</p> <p>Currently the budget is £10k</p> <p>Recent Case law states that one should ensure that a hardship fund is available.</p>	£10k is put into the Hardship Fund

The following options could be considered to reduce the costs of the scheme

	Change	Comments / Consultation
7.	<p>Vulnerable Groups - currently SBC protect all households who have a member who receives a disability premium</p> <p>It is not defined in law who the government believe to be in a vulnerable group and each LA has to make its own decisions</p> <p>SBC could amend the Vulnerable Groups to only protect those households who have a member who receive Employment Support Allowance (ESA) (previously known as Severe Disablement Allowance)</p>	<p>This will reduce the number or vulnerable households who are protected considerably as only very few will receive ESA.</p> <p>Many Local Authorities set up their initial scheme to protect those who received ESA.</p>
8.	Decrease the Capital allowance	<p>The current scheme allows for customers to receive CTS if they have capital below £16,000. Capital below £6,000 is disregarded completely and capital between £6,000 and £16,000 has a notional income applied of £1 for every £250 of capital.</p> <p>Decreasing the Capital allowance will mean that less working age people with savings can claim CTS</p>

		and if the notional income was increased the amount of support received would be reduced.
9.	Increase non dependant deductions	<p>The current non dependant deductions for customers are £3.70 if the non dependant is on Income Support and £7.25 if they are on a low income then £9.40 and £11.25 depending on their income.</p> <p>These could be increased or changed for example one local LA has a non dependant deduction of £3.70 for a non dependant on income Support and £14.00 for a non dependant who is working with no tapering in between</p>
10.	Remove temporary absence from home rule.	<p>The current scheme allows for the householder to be absent from home for up to 13 weeks if they can show that they intend to return to the property in that time. CTS will then be paid for this period.</p> <p>This is used for all types of Customers, from those on a long vacation to prisoners who have been given a short sentence.</p> <p>This could be removed or changed to only cover those most in need.</p>

All of the above can be used to reduce the costs of the current scheme and modelling can take place on each of the options to establish the financial benefit, if any options are identified as potential changes.