

**Executive**

15 December 2015

Report of the Director of Customer & Business Support Services

Portfolio of the Executive Leader, Finance & Performance and  
Executive Member for Adult Social Care & Health

## **Council Tax Support – Consultation Decision Report**

### **Summary**

1. A decision was taken at Executive on 29<sup>th</sup> October 2015 to consult with residents on the level of financial assistance provided by the Council in respect of its Council Tax Support (CTS) scheme. The consultation set out options to maintain or increase the financial support provided to CTS customers and asked respondents what level the Council should consider if any, and how this might be funded. This report provides an analysis of the consultation including the cost of the various options, details of additional CTS scheme costs arising from the Government's Emergency Budget (July 2015), Welfare Benefit changes and the level of financial support provided by other unitary authorities.

### **Recommendations**

2. Executive are asked to consider the contents of this paper noting that any cost is reflected in a lower Council Tax base number, resulting in a lower level of Council Tax being collected. Any such reduction would be reflected in the budget report to Full Council in February 2016. The options are set out at paragraph 30, the analysis at paragraphs 15 to 17 and customer consultation feedback at paragraphs 5 to 8 and Annex A. The recommendation to Full Council can be made based on consideration of the following alternatives:
  - a) having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising

from the Government's Emergency Budget (estimated £30k), maintain the current cap (70%);

- b) increase the CTS cap by 5% to 75% at a cost of approximately £195.1k per annum (pa). The full additional CTS cost 2016/17 being approximately £225.1k when the welfare benefit changes at Paragraph 12 are added, delivering an average annual benefit to CTS customers of £36.50pa.
- c) increase the CTS cap by 10% to 80% at a cost of approximately £377.1k pa. The full additional CTS cost 2016/17 being approximately £407.1k when the welfare benefit changes at Paragraph 12 are added, delivering an average annual benefit to CTS customers of £73.52pa;
- d) increase the CTS cap by 15% to 85% at a cost of approximately £558.5k pa. The full additional CTS cost 2016/17 being approximately £588.5k when the welfare benefit changes at Paragraph 12 are added, delivering an average annual benefit to CTS customers of £108.46pa;
- e) increase the CTS cap by 20% to 90% at a cost of approximately £734.1k pa. The full additional CTS cost 2016/17 being approximately £764.1k when the welfare benefit changes at Paragraph 12 are added delivering an average annual benefit to CTS customers of £142.35pa;
- f) increase the CTS cap by 25% to 95% cap at a cost of approximately £906.4k pa. The full additional CTS cost 2016/17 being approximately £936.4k when the welfare benefit changes at Paragraph 12 are added delivering an average annual benefit to CTS customers of £175.72pa;
- g) increase the CTS cap by 30% to 100% at a cost of approximately £1,076.1k pa. The full additional CTS cost 2016/17 being approximately £1106.1k when the welfare benefit changes at Paragraph 12 are added delivering an average annual benefit to CTS customers of £208.57pa.

**Reason:** To support financial inclusion and protect financially vulnerable customers from planned Welfare Benefit changes.

## **Background**

3. The Government reduced its support for Council Tax benefit on 1st April 2013. This saw the Council's previously demand-led grant reduced by 10% in 2013/14 and removed as an individual grant from 2014/15. The rules relating to Council schemes are set out in the Local Government Finance Act 2012 and ensure that qualifying pension age residents are fully protected.
4. The Council introduced its CTS scheme on 1<sup>st</sup> April 2013 on the basis that the scheme would be cost neutral in terms of the Council's budget. To do this a cap was introduced on the maximum support that any customer was entitled to. This cap was set at 70% meaning that customers were required to pay a minimum of 30% of their Council Tax bill.
5. At the same time the CTS scheme was introduced the Council implemented a safety net for customers who got into difficulty with their Council Tax bills and this formed part of the Council's York Financial Assistance Scheme (YFAS). Further support has included discounted court costs for customers who were taken to liability court of approximately 80% (£20) compared to full Council tax payers (£105) and the Council does not use Enforcement Agents (Bailiffs) with CTS customers which avoids further CTS customer charges of up to £305.
6. Advice agencies in the city have raised concerns that, since the scheme was introduced, the number of customers presenting with debt issues in relation to Council Tax has increased. This concern was highlighted by Advice York in their two publications 'Pushed into Poverty' (Oct 2014) and 'Every Penny Counts' (Sept 2015). In light of the Advice York reports in respect of Council Tax debt Executive approved on 30<sup>th</sup> July 2015 to undertake a review of the current CTS scheme and at Executive on 29<sup>th</sup> October 2015, following the review, approved a formal consultation process relating to the scheme (2<sup>nd</sup> November – 29<sup>th</sup> November 2015).

## **Consultation**

7. The main concern raised by welfare advice agencies in the city is in respect of the percentage of Council Tax liability charged to CTS customers (minimum 30%). The scheme itself is the Housing Benefit scheme and this fairly protects the characteristics of CTS customer through applicable amounts (the amount of money a

customer needs to live off) and is broadly supported in Advice York's recent 'Every Penny Counts' publication.

8. The decision by Executive on the 29<sup>th</sup> October to consult was in respect of the level of the cap (currently 70%). This consultation was undertaken over a four week period (2<sup>nd</sup> – 29<sup>th</sup> November 2015). A communication plan was developed to promote the consultation and this is attached at Annex B of this paper.
9. The survey was designed to be open to all Council Tax payers in York which is approximately 87,000 out of a population of 202,000 people and was not aimed at receiving a targeted number of responses. The survey received 453 replies and this means in statistical terms that the percentage score for each question should be considered with a potential +/-5% variation.
10. Table 1 below summarises the answers to each of the questions asked of all respondents, Table 2 CTS customers only and Table 3 non CTS customers. More detailed feedback is provided in Annex A of this report:

**Table 1 – All Respondents**

Question	Yes %	No %
The Council is considering increasing the support that we provide to people on CTS by increasing the maximum amount of help from the current 70%. Do you support this?	68.5	31.5

<b>What % Increase would you like to see?</b>	Preferred Option
5%	14.9
10%	15.3
15%	15.6
20%	16.8
25%	3.4
30%	34

**Table 2 – CTS Customers only**

Question	Yes %	No %
The Council is considering increasing the support that we provide to people on CTS by increasing the maximum amount of help from the current 70%. Do you support this?	89.9	10.1

<b>What % Increase would you like to see?</b>	Preferred Option
5%	5.7
10%	20.7
15%	24.5
20%	13.2
25%	3.8
30%	32.1

**Table 3 – Non-CTS customers only**

Question	Yes %	No %
The Council is considering increasing the support that we provide to people on CTS by increasing the maximum amount of help from the current 70%. Do you support this?	64.6	35.4

<b>What % Increase would you like to see?</b>	Preferred Option
5%	17.2
10%	13.9
15%	13.4
20%	17.7
25%	3.4
30%	34.4

11. As part of the consultation process the Council was required to consult with its major precepting authorities, North Yorkshire Police and North Yorkshire Fire Authority. There was no formal response received from either authority on the changes being considered in the consultation.

### **Welfare Benefit Changes**

12. The Government in its July 2015 Emergency Budget set out a number of welfare benefit changes that will have a direct effect on the cost of York's and other local authorities' CTS schemes. A number of local authorities including East Riding of Yorkshire locally have been consulting on these changes with customers. York's consultation has only been in respect of the percentage cap meaning that any additional costs arising from these changes need to be absorbed by the current scheme. The key changes and their estimated financial impact on the current CTS scheme are set out below:

**Increase in the national minimum wage by 50p** – 77 customers have been identified as being on the minimum wage. If all were working 40hrs the reduction in scheme costs would be approx £16k pa.

**Freeze tax credits** – This is difficult to estimate until after tax credit renewals later in the year and whether applicable amounts for customers rise. A 1% increase in applicable amounts would increase scheme costs by up to £50k but this is likely to be a worse case scenario, so a more realistic estimate would be £25k.

**Pensioner income protection.** – The impact depends how much applicable amounts rise in April 2016 and is difficult to quantify.

**Removal of family premium for new claims** – This is not being changed in the Council's scheme so there will be no impact.

**CTR backdating limited to 4 weeks** – This is not being changed in the Council scheme so there will be no saving, the extended back dating costs in the region of £8k pa.

13. It is difficult to calculate accurately the exact additional cost to the existing scheme arising from the changes set out above. A number of unitary authorities are or have consulted on these changes and will potentially increase the CTS charge to their customers in April 2016. Details of changes other unitary

authorities are making to their schemes are set out at Annex C. Taking a prudent view an increase in CTS scheme costs arising from the July 2015 emergency budget is likely to be in the region of £30k in 2016/17.

## Options

14. The majority of all responders to consultation (68.5%) supported an increase in the CTS cap to reduce the charge to CTS customers. Details of the preferred level of support responders felt should be provided is set out at paragraph 6 and tables 1-3. This provides 7 options for Executive to consider as set out below:

**Option 1** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) maintain the current cap (70%);

**Option 2** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) increase support to CTS customers by 5% costing a further £190k and providing CTS customers with an average annual Council Tax deduction of approximately £36;

**Option 3** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30K) increase support to CTS customers by 10% costing a further £380k and providing CTS customers with an average annual Council Tax deduction of approximately £72;

**Option 4** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) increase support to CTS customers by 15% costing a further £570k and providing CTS customers with an average annual Council Tax deduction of approximately £109;

**Option 5** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) increase support

to CTS customers by 20% costing a further £760k and providing CTS customers with an average annual Council Tax deduction of approximately £145;

**Option 6** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) increase support to CTS customers by 25% costing a further £950k and providing CTS customers with an average annual Council Tax deduction of approximately £182;

**Option 7** – Having considered the consultation and costs of maintaining the current scheme including absorbing the additional costs arising from the Government’s Emergency Budget (estimated £30k) increase support to CTS customers by 30% costing a further £1,140k and providing CTS customers with an average annual Council Tax deduction of approximately £218;

## Analysis

15. The financial impact of Options 2 – 7 are set out below at Table 4 in more detail:

**Table 4**

Level of liability included in support calculation	Additional cost to the Council (approx)	Average weekly customer benefit (approx)	Average annual Customer Benefit (approx)
100%	£1,076,076	£4.00	£208.57
95%	£906,441	£3.37	£175.72
90%	£734,111	£2.73	£142.35
85%	£558,480	£2.08	£108.46
83%	£487,033	£1.81	£94.38
80%	£377,187	£1.41	£73.52
75%	£190,562	£0.70	£36.50
70% (no change)	£0	£0	£0



16. The headline cap percentage does not always reflect the actual amount that has been charged to CTS customer because of other changes made within some Council schemes. Table 5 below provides the average cost of Council Tax charged to CTS customers receiving 100% of the support available in other unitary authority schemes (on a weekly basis) compared with York in 2015/16. Adjusting York's cap to the average would require a 7% increase (each 1% increase in the cap provides an additional 15p of weekly support to CTS customers). This is only intended as background to be considered along with:

- the outcome of the consultation;
- the cost of any change in cap as set out at Table 4 above;
- any pressures arising from the Autumn Statement; and
- the background on changes planned by other unitary authorities from April 2016 as set out at Annex C.

**Table 5**

<b>Weekly charge to fully qualifying CTS customers by authority 2015/16</b>		
<b>Authority</b>	<b>CTR Cap</b>	<b>Average weekly customer payment</b>
Rotherham	91.5%	£1.40
Hartlepool	88%	£2.31
Poole	86%	£3.02
Kirklees	80%	£3.21
Cheshire East	80%	£3.39
Bradford	75%	£3.51
Milton Keynes	80%	£3.61
Darlington	80%	£3.83
North East Lincolnshire	75%	£3.98
North Somerset Council	75.5%	£4.23
East Riding of Yorkshire	75%	£4.33
Medway	75%	£4.40
Blackpool	73%	£4.42
York	70%	£4.68
Cornwall	75%	£4.73
Slough	80% - 100%	£5.03
<b>Average Weekly Payment</b>		<b>£3.76</b>

17. Advice York in their document 'Every Penny Counts' are recommending that the Council reduce the level charged to customers from 30% to 17% by increasing the current 70% cap to 83%. Comments from customers responding to consultation on how any increase in the cap should be met are set out in detail at Annex D.

## Council Plan 2015 - 19

18. The options in this paper provide the opportunity to promote financial inclusion, delivering tangible and measurable benefits to affected customers in line with the Council Plan.

### Implications

19.
  - (a) **Financial** – Any cost is reflected in a lower Council Tax base number, resulting in a lower level of Council Tax being collected. Any such reduction would be reflected in the budget report to Council in February 2016. Each 1% reduction in the scheme will require a compensating £38k saving in the Council's revenue budget. Advice York's preference of moving the cap to 83% would equate to required savings of approximately £500k. To return to a scheme when full relief could be offered at level of 100% would require further savings of around £1.1m. Consideration also needs to be given to the increased scheme costs arising from the Government's Emergency Budget welfare changes. Any final decision needs to be made within the constraints of a tight Budget Strategy setting timetable and the funding forecast set out within the Autumn Statement.
  - (b) **Human Resources** - If the YFAS scheme funding was to be reduced to support any increase in the cap, a full reduction would result in two employee redundancies in the Customer Services structure.
  - (c) **Equalities** – Members are aware of their responsibilities under the public sector equality duty.

In summary, those subject to the equality duty must, in the exercise of their functions, have due regard to the need to:

- a. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- b. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c. Foster good relations between people who share a protected characteristic and those who do not.

The Act explains that having due regard for advancing equality involves:

- a. Removing or minimising disadvantages suffered by people due to their protected characteristics.
- b. Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- c. Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

The existing Community Impact Assessment (CIA) has been reviewed and revised as part of the consultation and is attached at Annex E and a more detailed breakdown of the response to consultation by the community of identity is set out at Annex E (1). CTS has an effect on financial vulnerability and is one of the key drivers for adopting the Housing Benefit scheme as a solution. The scheme has been developed over a number of years to treat financially fairly the various groups of customers e.g. disabled or a one parent family through the relevant 'applicable amount'\*.

This is reflected in the current CIA where the key communities of interest affected by any scheme that reduces the relief below 100% are Gender, Disability and Carers of older and/or disabled people. This arises as all three groups have the greatest difficulty in moving into work through either their disability, need to care, or in the case of gender being one parent families (90% of one parent families in receipt of CTS are female).

\*Applicable amount – The amount the Housing Benefit Scheme says a person needs to live on depending on their circumstances.

- (d) **Legal** – Specific legal requirements relating to the process for revising a scheme are set out within the body of the report including the requirement for consultation. The general law imposes obligations on public authorities when undertaking consultation. In particular it:

- Must be undertaken at a point where the mind of the decision-maker is still open to change and can; therefore, be influenced by the responses to the consultation. A decision-maker can though consult upon a preferred option provided that its mind is genuinely ajar.
- Must include sufficient information on the proposals to enable an intelligent response.
- Adequate time must be given to respond. What is adequate will depend on the circumstances of each case. Clearly the longer time available for consultation the more the risk of challenge on this basis is mitigated.
- The product of the consultation must be fed into the decision-making process and conscientiously considered.

Any special meetings required to meet statutory deadlines will need to be set up.

- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - The Council's scheme currently operates on the Housing Benefit scheme with a cap. Any increase or decrease in the cap can be implemented following a full Council decision in January 2016 in time for annual billing (2016/17).

- (g) **Property** - There are no implications

## **Risk Management**

20. The risk associated with any decision to amend the cap is a financial one as scheme costs are estimates before the start of the financial year and these costs can move both up and down. The variation is unlikely to be catastrophically high however the risk will require regular monitoring.

## Contact Details

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	<b>Report Approved</b>	√	<b>Date</b> 3rd December 2015
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<b>Wards Affected:</b> All			√
<b>For further information please contact the authors of the report</b>			

## Background Papers

Executive Report 30th July – Annual Report of the Financial Inclusion Steering Group 2014/15.

<http://modgov.york.gov.uk/documents/s98769/Report.pdf>

## Annexes

Annex A – Consultation Feedback

Annex B – Consultation Plan

Annex C – Review of changes in other unitary authority schemes

Annex D – Detailed comments from responders to consultation

Annex E – Community Impact Assessment

Annex E (1) – Response to consultation by Community of Identity.

## Abbreviations

CIA – Community Impact Assessment

CTB – Council Tax Benefit

CTS – Council Tax Support

k– Thousand

m - Million

YFAS – York Financial Assistance Scheme