

Executive

29th October 2015

Report of the Director of Customer & Business Support Services

Council Tax Support Scheme Review

Summary

1. A decision was taken at Executive on 30th July 2015 to review York's Council Tax Support (CTS) scheme. This report provides Executive with background on the current scheme, existing financial support available, the number of CTS customers seeking support and what further steps could be taken to support our most financially vulnerable customers in the short term but also in a sustainable way going forward.
2. In addition the report takes account of the agreed amended motion from Full Council held on 8th October 2015 which required Executive to :
 - continue with its review and bring forward a paper to the October meeting of the Executive, to cover a range of options including one to consult on changes to the current scheme; and
 - agree a timetable that meets the 31st January deadline, should it agree to make changes to the scheme, in advance of the 2016-17 budget setting meeting in February.

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 pension age residents are fully protected.

The CYC CTS Scheme

4. To clarify some of the issues that have been raised in relation to the council's CTS scheme, it is in essence the housing benefit scheme and in detail differs very little from the council tax benefit scheme that was in existence until 31st March 2013. The council chose not to amend the detail of the scheme that had been developed over the previous 20 years which has provided a fair way to support the relevant customer groups. This was and is the approach taken by many local authorities (including East Riding locally) however others have made substantial changes to their schemes as well in addition to capping the maximum benefit awarded.
5. An analysis of known schemes at other councils is shown at Annex A. These are all unitary local authorities and the information shows that many councils are considering to pass further costs back to CTS customers from either April 2016 or April 2017 – that is reducing the amount of help they can get.
6. The data also shows York is unique in both its low Liability Court Costs and non-use of the bailiffs for related debt recovery. As set out at paragraph 18 below court and bailiff costs can add over £7 per week to a CTS customer's bill. To put that into perspective each 1% reduction in York's scheme (currently requiring a minimum payment of 30%) will provide an average reduction of 15p per week for each CTS customer. In terms of implications for the council's revenue budget each 1% reduction in the scheme will require a saving of £38,436 based on current numbers claiming. As further welfare changes come during 2015 and 2016, these numbers may start to increase putting further pressure on the council's budget.
7. To develop a completely new scheme can be complicated and expensive and as such only a few councils have done so. The implementation of Universal Credit and incremental removal of the Government administration grant for housing benefit in the coming year(s) may force more authorities down this route providing schemes that are simpler to administer but take less consideration of the customer's individual circumstances.

Process for Change

8. Discussions have been undertaken with the council's third sector partners including the CAB and Advice York since the 'Pushed into Poverty' report was published. They have made it clear that their

concern is in relation to the cap (70%) and they are content that the scheme in itself provides a fair and equitable way of calculating entitlement to CTS.

9. If the Executive is minded on the basis of this paper to consider changing the scheme this will require the council to:
 - consult the major precepting authorities (ie the Police and Crime Commissioner and the Fire Authority) in time for them to plan for possible budget changes;
 - prepare a draft scheme;
 - consult such persons as it considers are likely to have an interest in the operation in the scheme.
10. In light of the impact of a change in the scheme such consultation would involve specific consultation with agencies who support those in financial need as well as with the wider public.

Existing Financial Support for CTS Customers

11. At the time of CTS scheme implementation the council was aware that some customers may have difficulty in paying their council tax bills. To support these customers it took a strategic approach to try and address the underlying issues through its broader financial inclusion role and strategy. It also established a safety net for customers through its financial assistance scheme (YFAS). This was initially grant funded by the DWP which then withdrew funding from April 2015. The council has continued to commit a base budget of over £500k to the scheme, with additional funding for two years, to ensure the impact of withdrawal of the specific grant was not felt by YFAS customers.

Table 1

Funding	2013/14	2014/15	2015/16	2016/17	2017/18
Awards (DWP)	£315,141	£315,141	£0	£0	£0
Base Budget Council funding	£0	£0	£315,141	£315,141	£315,141
CYC addition	£100,000	£200,000	£400,000	£400,000	£200,000
Total	£415,141	£515,141	£715,141	£715,141	£515,141

12. Low take-up of financial assistance specifically in relation to CTS customers, however, remains a concern at a time when the level of debt being experienced by financially vulnerable customers in York is reported to be increasing (Pushed into Poverty – Advice York).

13. Table 2 below shows that less than 3% of CTS customers have so far applied for further financial assistance and over 80% of the applications have been successful since 2014/15 to date.

Table 2

Year	Caseload	Claims	% of caseload	Successful claims	% of claims	Average Award £
2013/14	11572	324	2.8	204	63	125
2014/15	10730	237	2.2	200	84	184
2015/16 (YTD)	10606	58	0.5	47	81	211

14. Since 2013/14 to date just £80,913 has been spent on applications for additional help with paying council tax from financially vulnerable customers whilst during the same period, a further £601,174 has been spent on Emergency and Community Payments.

Other Support

15. Full details of the council's financial inclusion work with its partners, along with details of YFAS spend, was set out in the 2014/15 Financial Inclusion outturn report extract as attached at Annex B of this paper.
16. Arising from its broader financial inclusion strategy work, the council has invested an additional £300k in one-off monies since 2013 to support financial inclusion schemes with a follow-up £100k made available in 2016/17. This has included an £80k match funding payment to the Citizen's Advice Bureau (CAB) that succeeded in providing a further £248k of funding from the Big Lottery Fund to consolidate and co-ordinate the work of advice services in the city including the establishment of Advice York. The CAB have received a further one off grant funding of £67k in respect of their outreach work in GP surgeries across the city as well as an ongoing annual support grant of £124k. The council's financial investment in addressing financial inclusion (including the annual CAB grant) since 2013 is £672k. The Big Lottery Fund award brings the total investment in addressing financial inclusion to £920k.

17. Other direct action to support and protect CTS customers includes:
 - home visits to those in arrears and have not contacted the council ;
 - non use of Bailiffs (Enforcement Agents) for related debt recovery;
 - only a minimum £20 fee for liability orders. CYC is the only English council known to be doing this (most councils charge in the region of £80 to £100).
18. Financially this means CYC CTS customers are protected from up to £370 of additional recovery costs (court costs of £80, compliance fees £75 and bailiff visit fees of £235 less York's court costs of £20) that are charged by other councils. This is the equivalent of an additional £7.11 per week compared to the average Band A CTS charge in York of £4.97 per week for Working Age customers.
19. The council's Financial Inclusion Steering Group (FISG) oversees the YFAS and Financial Inclusion strategy and initiatives includes the CAB and South Yorkshire Credit Union. It will be further strengthened through the involvement of two senior Executive Members including the Council Leader. They will seek to ensure that there is a sustainable commitment to financial inclusion and that strategies are in place to help lift people out of poverty.

Strategy and solutions for strengthening support

20. The Advice York report 'Pushed into Poverty' and more recent report 'Every Penny Counts' clearly show that a number of customers are experiencing difficulty in paying their council tax. The most recent report (Every Penny Counts) is supportive of both the council's CTS scheme and recovery processes. As set out in paragraphs 11 to 19 the council has been proactive in trying to address financial inclusion at its source and has also put in place a well funded safety net for financially vulnerable customers through its YFAS scheme.
21. It is clear that the council along with its financial inclusion partners CAB and Advice York need to take a more proactive role in communicating with financially vulnerable customers and signposting the financial support available to customers through applications to the YFAS scheme. The council continues to visit

those CTS customers who are in arrears with 1,400 visits undertaken since January 2014.

22. Given the risks of consulting on a CTS change for 2016/17, the council could choose to develop a short term strategy in discussion with its financial inclusion partners as to how it can better reach out to support those customers quickly with current debts. The development of an approach for immediate relief for 2016/17 can be accommodated but is constrained by the money available in the YFAS scheme which is considerably lower than the value of the total arrears to date.
23. Information showing which customers are having CTS debt problems information on their status e.g. single, married, one parent family and the level of any council tax debt since 2013/14 is set out at Annex C of this paper.
24. In addition to the possible development of a one year debt reduction solution, as a minimum key points of the draft strategy will be to reinforce communication on available support as follows:
 - Ensure all council staff and partners who visit council customers are aware of the scheme no matter which part of the council they work in or which agency they work for;
 - Proactive communication and action with customers known to have problems in paying at the earliest possible stages including applying for YFAS;
 - Targeting those customers who need more intensive support including budgeting advice;
 - Further promotion of the YFAS scheme including all advocacy and advice organisations through Advice York;
 - Promotion through benefits advice and support work at York District Hospital;
 - Promoting the scheme at existing meetings such as resident, Ward, Tenant and Housing advice sessions attended by CAB & Housing;
 - Inclusion of fact sheets at annual council tax billing;
 - Use of emerging channels such as social media.

25. The benefits of the above approach are that the debt pressures on successful customers would not only be alleviated immediately but supported with sustained and sustainable activity in the background across all partners. FISG could be tasked with developing the relief scheme in this calendar year, for approval and implementation early in 2016.
26. This could be considered to a more proactive and effective approach to assisting with customers immediate financial difficulties than any future change in the CTS cap.
27. It is also important, however, that this short term injection of support is not seen as a solution to the financial problems of residents. This needs to be addressed through the broader financial inclusion agenda. The payment of CTS will continue into the future and customers struggle with many bills that continue to increase e.g. utility, rents and other costs. Universal Credit (UC) for all welfare customers is on the horizon and Tax Credits are to be changed in April 2016 and 2017.
28. The council will come under increasing financial pressure in respect of UC and Discretionary Housing Payments while the DWP remain clear that the council is the point of last resort for customers with financial hardship even though the Government social fund grant has stopped. Legally, lack of budget is not sufficient reason to decline discretionary payments (*C.W v East Riding of Yorkshire Council*) and as a result financial pressure on council budgets in supporting financial inclusion is likely to grow substantially in the coming years.

Options

29. There are four options that can be considered in relation to CTS and YFAS:

Option 1 – Maintain the current cap (70%);

Option 2 – Maintain the current cap and consider consultation on the scheme during 2016 for implementation in 2017/18, with the interim development of a one year scheme for short term relief;

Option 3 – Put the scheme out to a shortened consultation process to fit in with the 31st January 2016 deadline for implementation in 2016/17;

Option 4 – Any of the above three options together with the development of a cohesive strategy with the council's partners to implement and promote a sustainable approach to financial support available under YFAS as described in paragraph 24, subject to YFAS funding continuing.

Analysis

30. The collection rate for CTS working age customers remains relatively high at 78.25% and 75.77% in 2013/14 and 2014/15 respectively although some way behind the overall council tax collection rate of 97.55%. The key consideration is whether the current cap (70%) is causing greater financial hardship to certain categories of customer who may benefit from some change in the scheme that seeks to reduce their burden of taxation.
31. Any move away from the current CTS scheme (other than a change in the cap) will potentially require additional financial and staffing resource to both implement and run. Each 1% reduction in the cap will require a council saving of just over £38k resulting in an average weekly reduction in CTS to customers of £0.15 per week (data based on number of customers and scheme costs generated by the Northgate Revenues & Benefits System).
32. As highlighted at paragraphs 9 and 10 any change to the scheme would require widespread consultation. In considering whether to consult now Members need to be aware that that the Government's emergency budget welfare changes, including the wider rollout of Universal Credit, will also impact on many beneficiaries of the council tax reduction scheme. More detail of the impacts of these changes will be known on these over the next six months. As the Budget Strategy for the council would also be discussed over the same period as a 2015 CTS consultation, full consideration also needs to be made of the possible impact on that process of a very late decision on any resulting changes to the CTS scheme.
33. Any change to a CTS scheme following consultation has to be approved by Full Council on or before 31st January preceding the start of the financial year in which the change applies. Currently the last full council in York is 10 December 2015 and the last Executive before this is 26 November 2015. Precepting authorities (Parishes, Police and Fire) require notification of any revised council tax base by the end of December 2015.

34. To meet this requirement the committee cycle in December would need to be amended to ensure that Executive can recommend any change to the CTS scheme to a following Full Council (it is possible to revise the committee calendar to hold an Executive on 15th December and a Full Council on the 17th December without needed any additional meetings). This would accommodate a consultation period of 4 weeks only given required agenda publication dates. The consultation, therefore, would run from Monday 2nd November to Friday 27th November 2015.

Council Plan 2015 - 19

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

Implications

36.

- (a) **Financial** – Each 1% reduction in the scheme will require a compensating £38,436 saving in the council's revenue budget. Advice York's preference of moving the cap to 83% would equate to required further 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 £1.2m. Any such financial decisions would need to be made within the constraints of a tight Budget Strategy setting timetable running concurrently with any consultation and resulting Council decision on the CTS.

These figures do not take account of impending welfare benefits changes that could increase:

- the number of CTS claimants; and
- the likely increase in underlying costs of the CTS scheme for the council for new and existing claimants as other welfare benefits reduce.

Cost of consultation will need to be met from existing council budgets.

- (b) **Human Resources** - If the YFAS scheme funding was to be reduced, a full reduction would result in two employee redundancies in the Customer Services structure.

There will need to be some consideration of the staffing resource needed to run an effective 4 week consultation process if undertaken in 2015.

- (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) will be reviewed and revised as part of the of the consultation process once the proposed solution is known. CTS has an affect 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 been 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.
- 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 2015 in time for annual billing (2016/17). If any changes were made to the scheme itself (not the cap) or a complex change to the cap this would require a lead in time for the council's software provider to develop and test the new scheme before billing could take place. The cost of developing/amending software for any change would depend on the complexities. The annual billing process starts in February for all council tax and business rate payers so such a change could not be delivered for 2016/17.
- (g) **Property** - There are no implications

Risk Management

- 37. There are significant risks if option 3 is chosen and the tight timescales are not met for any reason. There is also an overriding reputational risk associated with any decision that is made on limited consultation.

Recommendations

- 38. Executive is asked to consider the contents of this paper and the options set out at paragraph 29 in light of the related analysis and agree to:
 - a) consider whether to consult during 2015 (option 3) and/or 2016 (option 2) in advance of the respective budget setting processes.
 - b) if option 2 (2016) is selected only, develop a cohesive strategy with partners to including a short term scheme of relief to be reported back at the scheduled meeting of Executive in January 2016.
 - c) If option 3 (2015) is selected, agree the timescales for consultation as set out in paragraph 34 and the necessary changes to the committee timetable for December 2015 in order

to allow a decision to be taken by Full Council on any changes to the Council Tax Scheme, as recommended by Executive.

- d) agree option 4 to improve promotion of the financial support available under YFAS and supplementary Financial Inclusion monies, subject to the continuation of YFAS.
- e) The detail of the scheme changes for consultation, to be developed by the Director of Customer & Business Support Services in consultation with the Portfolio Holders.

Reason: To ensure members are fully informed of the options and implications of decisions made in light of this review of the CTS.

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	Report Approved	√	Date 19/10/15
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Wards Affected: All			√
For further information please contact the authors of the report			

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 – Unitary Authority CTS Schemes

Annex B - Financial Inclusion Outturn Report 2014/15

Annex C – Analysis of customer CTS debt

Abbreviations

CAB - Citizen's Advice Bureau

CIA – Community Impact Assessment

CTS – Council Tax Support

CYC – City of York Council

DWP – Department of Work & Pensions

FISG - Financial Inclusion Steering Group

GP – General Practitioner

k– Thousand

m - Million

UC – Universal Credit

YFAS – York Financial Assistance Scheme

YTD – Year to date