

RESOURCES SCRUTINY PANEL

29th August 2013

LOCALISATION OF COUNCIL TAX SUPPORT (LCTS) UPDATE REPORT

Report of the Strategic Director of Resources

STRATEGIC AIM:	All
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1. PURPOSE OF THE REPORT

- 1.1 To present Resources Scrutiny Panel with an update of the current council tax support scheme and to provide an initial view about whether the scheme should continue in its current format for 2014/15.

2. RECOMMENDATIONS

- 2.1 That scrutiny notes and comments on whether the current council tax support scheme should continue for 2014/15.
- 2.2 That scrutiny notes and comments on whether further changes should be considered to the operation of the Discretionary Fund in January 2014 when more information is available.

3. BACKGROUND

- 3.1 The Government abolished Council Tax Benefit from 1 April 2013. All billing authorities had to replace the national scheme with a local scheme by 31st January 2013. A significant amount of work was undertaken to model and forecast and consult on an affordable scheme for the Council for 2013/14. The Council approved a scheme in January 2013 (Report 2/2013).
- 3.2 The main scheme for the current year is expected to cost £1.53m based on previous forecasting data and actual spend to date.
- 3.3 Members also agreed to support a discretionary fund to help the most vulnerable; £100k was allocated to this fund. The Council agreed to review the Discretionary fund annually by 31st January each year.
- 3.4 Members established that the scheme should meet certain principles, These principles were:
- a) that the scheme should reduce the overall cost of benefits through a local scheme;
 - b) that support should be directed to those in greatest need;
 - c) that incentives to work should be provided;

- d) that the scheme should be broadly in line with those of other authorities in this area;
- e) that the scheme is affordable to the authority.

3.5 It is essential that the Council reviews its current scheme to see if the principles are being met, if the scheme is working as desired, and to consider whether any changes are required. If members wish to make changes to the main scheme, officers will have to start the process now in order to meet the tight timeframe. Past experience indicates that the consultation process and subsequent democratic process that needs to be followed can take many months. Legal advice has informed us that it is not necessary to undertake a public consultation if the scheme remains the same. Legal advice has also suggested that feedback on the scheme is obtained from working age claimants as part of the benefit award process.

4. REVIEW OF SCHEME TO DATE

4.1 In line with the requirements set out in paragraph 3.5, officers have undertaken an initial review of the Local Council Tax Scheme which has been in operation for four full months. The focus of the review has centred on two fundamental questions:

- Do the principles agreed by Council in January 2013 remain relevant?
- Is the current scheme delivering the intended outcomes?

In responding to these questions, officers have drawn on:

- Monthly financial information and statistics collected by Revenues team;
- Information from Citizens Advice Bureau, Spire Homes and other bodies; and
- Information from other local authorities.

As with all other local authorities who are reviewing their own schemes, the Council has limited information to work with in some cases but this does not prevent an initial assessment of the schemes design and operation.

4.2 Principle 1 - the scheme should reduce the overall cost of benefits through a local scheme

In 2012/13, the cost of council tax benefit was £1.87m for which the Council was fully funded. For 2013/14, the Council received funding of £1.44m (of which it passported £40k to parishes to compensate for the reduced council tax base arising from the implementation of the LCTS). The shortfall in funding of £440k meant that the Council had to reduce the amount spent on council tax support through its own scheme. The Council agreed to fund £250k of the £440k gap (£150k through the main scheme and £100k through the discretionary fund). The Council's budget for 2013/14 was therefore £1.58m and £100k for the Discretionary Fund.

The latest figures for the end of July show that the total estimated cost for 2013/14 is £1.53m. The Council's scheme has successfully reduced the overall cost of benefits as intended. It is possible that benefit numbers may increase but as shown in the table below, the fluctuations in caseload over the first few months of 2013/14 have been minimal. It is not envisaged that the caseload will increase substantially.

The table below details how the estimated annual cost of the scheme can vary from month to month:

Date	Total CTLS	Total cost
1/4/2013	1450	£1,558,414
1/5/2013	1436	£1,563,251
1/6/2013	1435	£1,536,654
1/7/2013	1432	£1,532,782

The table below details the amount of LCTS for pensioners and working age claimants:

Amount of LCTS	April	May	June	July
Pension age	£1,050,573	£1,050,110	£1,031,775	£1,024,768
Working age	£507,841	£513,141	£504,879	£508,014
Total	£1,558,414	£1,563,251	£1,536,654	£1,532,782
Pension age	67.4%	67.1%	67.1%	66.8%
Working age	32.6%	32.9%	32.8%	33.2%

This data demonstrates that the ratio of pensioners to working age claimants has not changed significantly from last year's data analysis. Pension age claimants effectively receive the same benefit as they did in 2012/13. The LCTS does not apply to them.

4.3 Principle 2 - that support should be directed to those in greatest need

The Council's scheme was designed to ensure that all taxpayers would have to pay a minimum contribution to their council tax demand but this would be means tested. For those in receipt of the maximum benefit, the provision of a Discretionary Fund allowed them to make a case for additional support. This allowed the Council to target additional funding to those in greatest need. In order to assess the impact of this the Council has considered two factors:

- 1) What is the collection rate for those ratepayers who have never previously paid council tax?

356 taxpayers received a council tax demand for the first time. The Council has now collected 5 instalments. The position is as follows:

- 5% have paid in full for the whole financial year 2013/14;
- 83% have paid 2 instalments or more i.e. 2 out of 5, 3 out of 5, 4 out of 5, 5 out of 5;
- 1% have paid only 1 instalment i.e. 1 out of 5;
- 11% not paid anything to date and are subject to recovery action.

Recovery action has commenced as usual, however difficulties have arisen in obtaining Liability Orders. The Magistrates Court were unable to hear any cases for Rutland at Court on 28th June 2013. The Court service was overwhelmed by the number of people attending Court for cases being heard for other local authorities making applications for Liability Orders. The Court has apologised and scheduled the cases for the following court on 26th July 2013. This situation presented numerous administrative problems for the team; the overall impact on the collection rate detailed below is minimal.

The council tax collection rates as a % of overall debt to date are as follows:

Month	April	May	June	July
Overall target collection rate %	9.7%	20.7%	31.7%	41.7%
Collection rate for new taxpayers only %	9.9%	20.4%	27%	34.6%
Total council tax collection rate for all taxpayers%	16.8%	25.8%	35.1%	44.2%

The information available to date demonstrates that new taxpayers are not paying as well as existing taxpayers. If this trend continues the collection rate for this group is anticipated to be in the region of 85-92%. Recovery action should impact on this as measures are taken to enforce payment. The overall collection target of 98.7% appears to be on target and is currently slightly above this level.

Clearly, the statistics above only relate to one quarter but the initial view is that ratepayers have managed to organise their finances to make some payments. The Council has sought information from other local authorities who operate a similar scheme (i.e. there are first time taxpayers) and found that this trend is not uncommon.

2) Has there been excess demand on the Discretionary Fund?

The Discretionary Fund has been well advertised. All taxpayers received information with their demand explaining its availability and Citizens Advice Bureau, Voluntary Action Rutland, Spire Homes etc are all aware of how it operates. To date there have been 86 applications. This means that 270 first time taxpayers have not applied for the discretionary fund.

Of the 86 applications received, 50 have been approved. The Council has spent £7,361 of the £100,000 allocated to the Discretionary Fund, further applications are expected as payment of council tax is enforced, however it is not expected that the full fund will be spent.

Application information is included in the table below:

	March	April	May	June	July
Number of Applications	3	35	12	18	18
Number Refused	3	15	5	5	8
Number Awarded	0	20	7	13	10
Number of Appeals	0	3	2	1	0
Value of Awards	£0	£4,076	£1,189	£845	£1,272
Average Award	£0	£203.78	£169.86	£65.00	£127.20
<u>Award Categories:</u>					
Care Leaver		2	1		
Carer		1			
Income Support & Child <5					
DLA Recipient		3		1	1
Fleeing Domestic Violence		1			
Drug Dependency Rehab		1			
ESA Support Component		2	2		
Foster Carer					
Hostel Leaver					
Non-resident Child Responsibility		1		1	
Supported Accommodation		1		1	
Other Vulnerable Group		3	4	3	4
Severe Financial Hardship		5		7	5

Examples of those receiving additional support include:

Mrs M is 58 and lives in Uppingham. She is in receipt of Employment Support Allowance and has long term mental health issues, because of this she has been placed in is in the support group and is not required to actively seek work at the moment. Miss M also has a medical conditional that means her diet is restricted and because of this her weekly food costs are high. Miss M was awarded a discretionary fund for the full financial year and does not have to pay council tax.

Miss H is 42 and lives in Oakham. She is actively seeking work and is claiming Job Seekers Allowance and receives £71.00 per week. She is under occupying her home by 2 bedrooms and has to pay rent for the first time of £23.00 per week. Miss H is suffering for severe

financial hardship, having to live on £48.00 per week and has sought advice from CAB. CAB have supported her claim and a discretionary fund award has been made for an initial period of 3 months.

Mr B is 52 and lives in Ryhall with his son. He is in receipt of Disability Living Allowance suffering from major permanent injuries sustained in a road traffic accident. His son is unable to work as he is his main carer. Mr B is unable to work due to the nature of his disability. Mr B has higher fuel bills than comparative households. A discretionary fund award has been made for the full financial year and as such Mr B does not have to pay council tax.

Ms T is a single parent of 3 children under 10 years of age and lives in a small village. She has multiple sclerosis and is in receipt of Disability Living Allowance. Ms T has numerous debts following the breakdown of her marriage and is seeking advice from CAB. Ms T is keen to work and is studying part time to increase her opportunities of finding suitable work. A discretionary fund award has been made for the full financial year and as such Ms T does not have to pay council tax.

The above evidence, albeit limited, suggests that the Scheme is working as designed. Emerging information suggests that those with a disability who are unable to secure employment seem to be more affected but the Council has been able to support these individuals through the Discretionary Fund. As the Discretionary Fund is below budget (based on figures at the end of July), there is sufficient scope to meet any emerging needs although the Council will continue to process applications in the same way using the same criteria to ensure consistency and compliance to the Discretionary Fund policy.

The reasons for rejecting applications is as follows:

- Evidence showed that finances were available or could be reorganised;
- Some people could reduce their outgoings on entertainment packages and high cost utility bills and were referred to CAB for financial advice; and
- Some people were offered 12 instalments instead of 10 to reduce the amount due each month making it more affordable.

The impact on taxpayers can also, to some extent, be gauged by feedback, letters, complaints etc. In April in particular, the Council received more correspondence than normally the case but this focused primarily on technical reforms to council tax and under occupancy relating to housing benefit. There has been little feedback since.

Revenues officers have briefed colleagues who work with vulnerable adults on the availability of discretionary funding. Referrals have been made from officers and their intelligence has been used to support the application and determine the award.

4.4 Principle 3 - that incentives to work should be provided

The Council's scheme was designed to encourage people, where possible, to find work or increase working hours. This is in line with the Government's agenda to get people back into work. The scheme did this by:

- Increasing the earned income disregard from £17.10 to £20.00 per week, this means that people in paid employment get to keep more of their income if they work more than 30 hours per week
- Retaining the extended payments scheme whereby people entering into work keep their existing benefit entitlement for a further 4 weeks, this means that people entering into work do not have to pay council tax straight away.

The Council does not have lots of information to assess whether these incentives are working but the following observations can be made:

- There have been few applications for the Discretionary Fund from those in work;
- Other welfare reform measures when implemented will encourage people to get back into work. The main driver for this is Universal Credit which is not due to commence in Rutland until April 2014;
- The local employment statistics (LI151) show that local employment level is above the national average and just above the regional average.

The following table breaks down the percentage of claimants in each group:

working age	Apr	May	Jun	July
Income Support	24%	23%	22%	22%
JSA (Income Based)	14%	14%	13%	13%
ESA (Income Related)	21%	20%	19%	20%
Working	30%	30%	25%	26%
Others i.e. self employed	11%	13%	21%	19%

This data demonstrates that working age claimants caseload has not changed significantly from last year's data analysis.

In order to analyse this principle further in the future the Council will need to collate more information to record the number of people who no longer receive benefits or reduced benefits and have moved into work. This information is not routinely collected and Officers will investigate the costs and benefits of being able to do this in the coming months. One key consideration is whether the Council will be able to attribute any changes, i.e. claimants seeking extra work to reduce benefit dependency, to the impact of its scheme.

4.5 Principle 4 - that the scheme should be broadly in line with those of other authorities in this area;

The Council was keen to avoid a postcode lottery with neighbouring authorities. Members will recall that the Government offered local authorities a grant if they limited the 2013/14 council tax bill for council tax benefit recipients to 8.5%. Some of our neighbours took this grant. The position is as follows:

Authority	LCTS	Govt Grant Scheme	Status
Melton		X	Under review
Corby	X		Under review
South Kesteven	X		Under review
Harborough	X		Under review

All of our neighbours are now reviewing their schemes and whilst they may have to go through consultation exercises and be approved by Council, it is our view that they will adopt similar schemes to our own:

- All ratepayers will pay at least 10-20%;
- A hardship/discretionary fund will be put in place;
- Removal of Second Adult Rebate; and
- Cap at a council tax band level.

Presently, the Council's Discretionary Fund stands at £100k. This is higher than our neighbours (as a % of total benefits paid). The level of funding will be reviewed when more information becomes available in January 2014.

4.6 Principle 5 - that the scheme is affordable to the authority.

At the time the Council approved the LCTS, the 5 year funding position looked quite different to what it does today following the outcome of the July 2013 Comprehensive Spending Review. The Q1 financial management report (177/2013) sets out an updated MTFP which shows that funding over the 5 years has reduced by £4.8m.

Notwithstanding this comment the Council had made provision to support the scheme over the life of the MTFP. The scheme only remains affordable in the medium term should the Council make further savings over the next 5 years. As the worst of the spending cuts hit the Council in 2015/16 and beyond, the Council is in a position where it could support the Scheme again in 2014/15 and undertake a further review when more information is available.

4.7 Summary

A summary of the above analysis, as shown in the table below, indicates that there is no compelling reason to change the existing scheme but in order to allow more information to be gathered, it is suggested that the Council revisits the criteria which underpins the Discretionary Fund in January 2014.

Principle	Still relevant or desirable?	Scheme operation working?
the scheme should reduce the overall cost of benefits through a local scheme	Yes	Yes
that support should be directed to those in greatest need	Yes	Yes – but review the Discretionary Fund in January 2014
that incentives to work should be provided	Yes	Yes
that the scheme should be broadly in line with those of other authorities in this area	Yes	Yes
that the scheme is affordable to the authority	Yes	Yes

5. OTHER CONSIDERATIONS

- 5.1** The Government is progressing with wider welfare reform measures that could have an impact upon taxpayers. Under occupancy room restrictions have already been implemented but the full impact of these measures is as yet unknown. The benefit cap has only affected one housing benefit claimant in Rutland. Universal Credit is not expected to commence in Rutland until April 2014 and this will be implemented via a controlled and long migration period.

5. NEXT STEPS

- 6.1** A report will be taken to Cabinet on 1st October 2013, if Cabinet decides that the existing scheme should remain unchanged and be adopted for 2014/15, the Council would need to consult its preceptors and apply national uprating of benefit changes only prior to formal approval by Council.
- 6.2** If members express a desire to adopt a new scheme for 2014/15, the Council, would need to develop a timetable to undertake a wide range of activities including: modelling and forecasting of proposals, full public consultation, revision and potential purchase of software changes, seek legal advice, undertake a full Equality Impact Assessment, staff training, revision of application forms and literature and communication strategy.

7. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Medium	If members choose to adopt the current scheme for 2014/15 the risk is low, the risk increases to high if a new scheme is requested
Viability	Medium	If members choose to adopt the current scheme for 2014/15 the risk is low, the risk increases to high if a new scheme is requested, shared working with other authorities has also minimised this risk
Finance	High	The current scheme is affordable in the MTFP over the next few years.
Profile	High	The agenda for welfare reform is attracting national

		media attention and scrutiny from the third sector
Equality and Diversity	Medium	A full EIA has been undertaken for the current scheme, the Discretionary Fund has mitigated any EIA concerns

Background papers
Report 2/2013
Report 177/2013

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