

|                               |                                                                                                    |
|-------------------------------|----------------------------------------------------------------------------------------------------|
| <b>Subject:</b>               | <b>Council Tax Reduction Review</b>                                                                |
| <b>Date of Meeting:</b>       | <b>15 December 2016</b><br>8 December 2016 – Policy Resources & Growth Committee                   |
| <b>Report of:</b>             | <b>Executive Director for Finance and Resources</b>                                                |
| <b>Contact Officer:</b> Name: | John Francis Tel: 29-1913                                                                          |
| Email:                        | <a href="mailto:John.Francis@Brighton-Hove.gcsx.gov.uk">John.Francis@Brighton-Hove.gcsx.gov.uk</a> |
| <b>Ward(s) affected:</b>      | All                                                                                                |

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council introduced a local Council Tax Reduction (CTR) scheme from 1<sup>st</sup> April 2013 as a result of national changes localising the previous Council Tax Benefit (CTB) system. Under legislation the local Council Tax Reduction Scheme must be reviewed each year. The purpose of this report is to set out that review and the resulting recommendations.
- 1.2 When CTR was introduced the funding for the scheme was reduced by 10% when compared with the costs of the previous CTB scheme. The funding has continued to reduce year on year and the gap between the cost of the current scheme and the estimated funding available for 2017/18 is forecast to be a £4.150million.
- 1.3 The council has a choice to manage this by either, reducing the cost of CTR; reduce funding for other general fund services; or increasing council tax.
- 1.4 In the current financial year the council is absorbing approximately £2.468million of the scheme costs within its General Fund budget.
- 1.5 CTR for people of pensionable age is set according to prescribed rules which are broadly in line with the support offered by the previous national scheme. Councils are given no power to alter the way the scheme works for pensioners, despite the fact that funding is being reduced for this group too.

**2. RECOMMENDATIONS:****That the Committee:**

- 2.1 Notes that the Council undertook formal consultation as a part of this review and that as part of the formal consultation a draft scheme was published which contained possible changes to the scheme and people were invited to give their views on that scheme.

- 2.2 Notes the outcome of that consultation (appendix 1) which has been summarised in section 5.4
- 2.3 Notes that an Equalities Impact Assessment (EIA) (appendix 2) has been undertaken on the possible changes set out in the draft scheme and the recommendations set out in 2.9.1 to 2.9.6 in this report. The committee should further note that, to meet their Public Sector Equality Duty, members must give conscientious consideration to the findings of this assessment when making a decision on the recommendations in 2.9.1 to 2.9.6. The actions which will be undertaken as a result of this EIA are set out in section 7.11.
- 2.4 Notes that the Executive Director of Finance and Resources will, prior to 1<sup>st</sup> April 2017, exercise delegated powers to increase the appropriate calculative elements of the scheme to give effect to national changes.

**That the Committee recommends to Council:**

- 2.5 It notes that the Council undertook formal consultation as a part of this review and that as part of the formal consultation a draft scheme was published and people were invited to give their views on that scheme.
- 2.6 It notes the outcome of that consultation (appendix 1) which has been summarised in section 5.4.
- 2.7 It notes that an Equalities Impact Assessment (EIA) (appendix 2) has been undertaken on the proposed changes in the draft scheme and the recommendations in this report. It should further note that, to meet their Public Sector Equality Duty, members must give conscientious consideration to the findings of this assessment when making a decision on the recommendations in 2.9.1 to 2.9.6. The actions which will be undertaken as a result of this EIA are set out in section 7.13.
- 2.8 That the Executive Director of Finance and Resources be authorised to amend the council's Council Tax Reduction Scheme (Persons who are not Pensioners) (Brighton and Hove City Council) 2013 to reflect the changes at 2.9 to 2.9.6 below ,and to take all steps necessary and incidental to the introduction of the revised scheme.

**Proposed changes to scheme from 1<sup>st</sup> April 2017**

- 2.9 The changes set out in 2.9.1 – 2.9.4 are made to the Council Tax Reduction Scheme (Persons who are not Pensioners)(Brighton & Hove City Council) 2013 to take effect from 1<sup>st</sup> April 2017. (These changes are set out in more detail in 4.3).
  - 2.9.1 Change the taper rate from 20p to 25p.
  - 2.9.2 To limit maximum CTR to the equivalent available for Band D property.
  - 2.9.3 Change the minimum CTR payable to £5.00 per week.
  - 2.9.4 For people with an entitlement to CTR on 31<sup>st</sup> March2017 who will be affected by the provision in 2.9.2 transitional protection will be applied so that no one will be worse off by £10 or more per week as a result of this

- provision. This transitional protection will end either: after a year; when a person moves, or when their claim ends, whichever is soonest.
- 2.9.5 As per the four year budget plan previously agreed at February 2016 Budget Council and presented in the three year saving plan on this agenda the permanent budget funding used to support the Discretionary Council Tax Reduction Scheme to be set at a £0.055m for 2017/18. A further £0.095m will be set aside from the Welfare Reform reserve to provide £0.150m discretionary funds overall.
  - 2.9.6 Amend the Discretionary Council Tax Reduction Scheme (Brighton & Hove City Council) 2016 so that people who would otherwise qualify for council tax reduction were it not for the provision in 2.9.3 (£5.00 minimum CTR) can apply for Discretionary Council Tax Reduction.

### **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 Since April 2013 the Government has prescribed that councils must have their own Council Tax Reduction schemes for people of working age. The schemes for people of pensionable age are set by national rules. In keeping with other councils with responsibility for CTR the scheme in Brighton and Hove is an amended version of the previous national scheme. The differences between the previous scheme and the current scheme are that working age people on CTR receive up to an 80% discount of their Council Tax; the maximum amount of capital a person may hold is £6,000 (reduced from £16,000); an element of the scheme called second adult rebate has been ended; the amounts adult children who live in their parents home are expected to contribute has been increased; and the amount of earnings which are ignored when a person works has been increased for single people, disabled people and carers. The current scheme can be found at [www.Brighton-Hove.gov.uk/ctr](http://www.Brighton-Hove.gov.uk/ctr). The page also contains a list of yearly amendments made since the scheme began. A table of all council's schemes are included in appendix 3.
- 3.2 The calculative elements of the scheme are updated each year in line with national amounts under the delegated powers of the Executive Director of Finance and Resources.
- 3.3 To support people who are in receipt of CTR, the Revenues and Benefits team has a debt prevention team to help people pay their council tax before they fall into arrears; a discretionary fund has been established to support people in exceptional circumstances; and, budgeting and financial advice has been provided initially through a dedicated contract and subsequently through the financial inclusion commission.
- 3.4 Each year, the council must consider whether to revise its scheme or to replace it with another scheme. Any revision the council makes to its scheme must be made no later than 31<sup>st</sup> January in the financial year preceding that in which the revision is due to take place.

#### **Funding**

- 3.5 Since April 2014, funding for the scheme has been incorporated into the Revenue Support Grant and the Business Rates baseline. Accordingly the funding available for CTR is proportional to those incomes. The Revenue

Support Grant income is forecast to significantly reduce over the next three years which means the funding for CTR is reducing in turn.

- 3.6 The current forecast estimates that the shortfall between the current CTR scheme and the funding available for the council in 2017/18 is £4.150m, an increase of £1.682m when compared with the estimated shortfall in 2016/17.
- 3.7 At present all working age CTR recipients receive up to 80% of their council tax. If the council did not subsidise the scheme CTR recipients would only receive up to 42% of their council tax.
- 3.8 The council collects Council Tax on behalf of the East Sussex Fire Authority and the Police and Crime Commissioner for Sussex; any decisions the council makes relating to the CTR scheme affects the council tax base and in turn the resources these precepting authorities can generate.
- 3.9 The caseload numbers have continued to decline over the last year by approximately 4%. This has been dependent on a number of factors, for example continued economic growth. For forecasting purposes the figures in 3.6 and 3.7 assume that the caseload will continue to reduce by 4% for 2017/18.
- 3.10 There are a number of other factors which could impact on the cost of the scheme including when the full roll-out of Universal Credit will commence in Brighton and Hove; changes to rates for family benefits from April 2017; and, increases in the minimum wage.

### **Context**

- 3.11 With few exceptions the Government does not prescribe how schemes should be set for working age people but protects people of pensionable age at equivalent levels of entitlement to that which they would have been entitled to under the previous national scheme.
- 3.12 In April 2013 when CTR was introduced there was a total of 27,809 claimant households, 10,421 of whom were of pensionable age and 17,388 were of working age. As at October 2016 the total number of CTR claims was 22,561 with 8,433 claims from people of pensionable age and 14,128 for people of working age. The reduction in caseload reflects in part changes made to the maximum level of CTR available in April 2016 and broader economic conditions.
- 3.13 The in year collection rate for people on CTR is approximately 80% and the ultimate collection rate for people who had any entitlement to CTR in 2016/17 is likely to be between 85 to 90%. The overall ultimate collection rate for Council Tax in 2016/17 is expected to be 98.28%.
- 3.14 CTR has led to higher administrative burdens because of increased customer contacts due to the extra number of households it now collects Council Tax from. Dealing with these contacts has meant the business model of the revenues service has changed to include dealing with discretionary funds, greater extended repayment arrangements alongside the increase in customer contacts.

- 3.15 The localisation of Council Tax support is one element of the government's welfare reform programme which relates specifically to Council Tax. However, issues of other welfare reforms, affordability (particularly related to housing), household income, the cost of living, the performance of the economy and local employment issues are all related.
- 3.16 A further series of welfare reforms were announced in 2015 and have recently started or are about to start. These include a freeze on most working age benefits for four years from April 2016; changes to the amounts paid for families with more than two children from April 2017; changes to the rates paid to people on Employment and Support Allowance from April 2017; and, changes to the level of the benefits cap from November 2016.
- 3.17 In accordance with legislation the council published a draft scheme (appendix 4) for the purposes of consultation in September 2016. The consultation was open to anyone to respond to but all working age recipients of CTR who would be affected by any of the possible changes were written to and invited to respond.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 There are a series of requirements prescribed by legislation which must be undertaken in order for a council to make changes to its CTR scheme. These requirements are:
- To consult any major precepting authority which has the power to issue a precept to it;
  - Publish a draft scheme in such a manner as it sees fit; and
  - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 4.2 Further to the forecast funding position and following initial consultation with major precepting authorities the council published a draft scheme in September and ran formal consultation until 1<sup>st</sup> November.
- 4.3 The possible changes set out in the draft scheme were:
- To increase the amount that CTR goes down by for every extra £1 increase in the income a household receives (known as 'the taper') from 20p to 25p
  - To set the maximum rate CTR to the amount payable for a Council Tax Band D property
  - To set the minimum amount of CTR to £5 per week, meaning that households entitled to CTR of less than £5 a week will pay the full amount of Council Tax
- 4.4 The responses to consultation are set out in 5.4

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The council is currently running a cross-cutting programme to understand and plan for the impacts of wider welfare reform. The programme maintains ongoing links, and shares information with community and advice services and

organisations. It also holds regular cross city meetings with a broader set of representatives, including private landlords.

- 5.2 As major precepting authorities, the East Sussex Fire Authority and the Office of the Police and Crime Commissioner were consulted prior to the draft scheme being published and as a part of the main consultation.
- 5.3 Formal consultation was undertaken between 21<sup>st</sup> September and the 1<sup>st</sup> November. The consultation was open to anyone to respond to but all working age recipients who would be affected by any of the possible changes set out in the draft scheme were written to and invited to respond. The consultation was promoted through community and voluntary sector and advice agency networks; on social media; through press releases; and, via front line staff who work with people who claim CTR.
- 5.4 A summary of findings from consultation is attached in appendix 1. The main findings to consultation of which there were 81 responses were
  - The majority of respondents were not in favour of the change to the Taper rate.
  - The majority of respondents were in favour of limited CTR to the equivalent of a Band D.
  - A small majority were not in favour of the £5.00 minimum CTR.

## **6. CONCLUSION**

- 6.1 The recommendations in this report are formed on the basis of:
  - Information from the operation of the scheme so far which shows that the amounts being charged to people on CTR are being collected in line with planning expectations and that the vast majority of customers are engaging with the council about their Council Tax issues.
  - The overall financial position of the local authority which means that assuming a 3.99% increase in Council Tax per year that the council is facing at least a £24m budget gap in 2017/18 and £51m over the three years to 2019/20.
  - The estimated shortfall between the cost of the current scheme and the funding transferred to the council is expected to increase to £4.150m in 2017/18. The scheme as proposed will go some way to meet that reduction in funding but will still mean that the council subsidy to the scheme will be £3.9m. In practice this means the scheme is being supported by Council Tax and Business Rate payers in part in addition to the remaining shortfall being made up by CTR recipients themselves.
  - The council will continue to ensure that CTR recipients are supported in a number of ways including pre-emptive support from the debt prevention team; the use of discretionary funds to help vulnerable people in difficult situations; and, the provision of a community banking partnership in Brighton and Hove
  - The actions that will be undertaken as a result of the EIA.
  - Transitional Protection has been considered. For people with an entitlement to CTR on 31<sup>st</sup> March 2017 who will be affected by the provision in 2.9.2 transitional protection will be applied so that no one will be worse off by £10 or more per week as a result of this provision. This transitional protection will end either: after a year; when a person moves, or when their claim ends, whichever is soonest.

Anyone affected by the other provisions will be written to with an explanation of the change and invited to apply for the Discretionary Council Tax Reduction scheme.

- In accordance with the four year budget plan presented to Budget Council in February 2016 and the three year budget plan proposals presented on today's agenda the permanent funding for the Discretionary council Tax Reduction Scheme is set at £0.055m but one off funding of £0.045m is set aside from the Welfare Reform Reserve to provide £0.100m discretionary funds overall.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The projected budget gap over the next 3 years is estimated to be £51m and this incorporates the reduction in funding for CTR and assumes the 2016/17 CTR scheme is maintained throughout the 3 year period. Therefore any changes to the scheme that generate additional resources to the council contribute to meeting the budget gap.
- 7.2 The possible changes set out in the draft scheme were estimated to generate £0.255m additional resources for the council, £0.030m for the Police and Crime Commissioner for Sussex, and £0.015m for the East Sussex Fire Authority.
- 7.3 The forecast subsidy the council will pay towards the CTR scheme in 2017/18 will increase to £3.900m from £2.468m in 2016/17.
- 7.4 The estimated cost of the CTR scheme is reflected in the council tax base. The Council Tax base report to Policy, Resources and Growth Committee on the 19 January 2017 will reflect the 2017/18 scheme.
- 7.5 The discretionary fund will set to a minimum of £0.055m supplemented by one off resources set aside within the Welfare Reform reserve of up to £0.095m providing total resources of £0.150m in 2017/18. This will release £0.045m to support the 2017/18 budget.

*Finance Officer Consulted: James Hengeveld*

*Date: 14/11/16*

### Legal Implications:

- 7.6 The Local Government Finance Act 1992 requires each billing authority, such as the council, to consider each financial year whether to revise its CTR scheme or to replace it with another one. If it wishes to amend its scheme, it must undertake a consultation exercise. The consultation undertaken on revisions to the Council Tax Reduction Scheme followed the statutory requirements of paragraphs 3 and 5 of Schedule 1A to the Act. These requirements are set out in paragraph 4.1 of the report.
- 7.7 Any revision to the Scheme, for implementation in 2017/18, must be made by 31January 2017.

- 7.8 If any revision to a scheme has the effect of reducing or removing a reduction, the revision must include such transitional provision relating to that reduction as the authority thinks fit. Recommendation 2.9.4 addresses that requirement.
- 7.9 Under Part 3 of the council's constitution, and section 67 (2) (aa) of the 1992 Act, approval of the revised Scheme is reserved to full Council. It is appropriate for the draft Scheme to be considered first by the Policy, Resources and Growth Committee, given its remit in relation to Council Tax and corporate budgetary matters, and to refer its recommendations on the revised Scheme to full Council.
- 7.10 Under section 149 of the Equality Act 2010 a public authority such as the council must in the exercise of its functions have due regard to the need to eliminate discrimination, harassment, victimisation; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. This duty is known as the Public Sector Equality Duty (PSED). The EIA is attached to the report as Appendix 2 for Members' consideration. In a recent High Court case, R on the application of Logan v London Borough of Havering, the High Court found that there had been a failure by the full council to have due regard to the PSED because not every member of the council had been provided with a report and accompanying equality impact assessment looking at the possible adverse impact of the changes.
- 7.11 Under the council's Scheme of Delegations to Officers, the Executive Director of Finance and Resources has, subject to any general guidance or limitation imposed by the relevant Committee, delegated power to exercise the council's functions regarding the Council Tax Reduction scheme. Any changes to the scheme, such as an increase in the calculative elements of the scheme, occasioned by national changes will be made under delegated powers.
- 7.12 A draft of the technical changes required to the scheme documents is set out in appendix 5.

*Lawyer Consulted:*

*Liz Woodley*

*Date: 10/12/16*

Equalities Implications:

- 7.13 An EIA was undertaken on the possible changes set out in the draft scheme and the recommendations in this report. A copy of this assessment is included in appendix 2
- 7.14 The findings from the EIA will mean the council will:
- Ensure the provision of clear communications about the change so people have time to prepare. This will include making information available according to need whether that is through 121 conversations or translations. This will include providing specifically targeted and tailored information for specific groups to organisations which support people with protected characteristics.

- Continue to provide a discretionary fund which can be used to increase the amount of CTR anyone can get if they face exceptionally difficult circumstances.
- Ensure there is availability of advice within the city so people can receive help dealing with benefits, payment of council tax, budgeting and moving towards work from services throughout the city.
- Ensure staff and advice services are skilled to advise people on the other statutory council tax discounts customers may be entitled to which would help mitigate some of the impacts of reduction of funding for CTR These include the discounts of 25% available for single occupants and the 100% discount which is referred to in legislation as being for people who are severely mentally impaired.

Sustainability Implications:

7.15 There are no sustainability implications relating to this issue

Any Other Significant Implications:

7.16 No other significant implications have been identified relating to this issue

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Consultation Summary
2. Equalities Impact Assessment
3. Breakdown of other council's schemes
4. Draft scheme
5. Draft technical changes to scheme documents