

## **Overview and Scrutiny Committee Workshop - Council Tax Support**

**28 June 2012 at 2pm in KH R431**

**Present;** Cllrs Warren Morgan (Chair), Vanessa Brown, Ruth Buckley, Leigh Farrow and Ken Norman

**Also Present:** Emma Daniel, Community and Voluntary Sector Forum (CVSF); Catherine Vaughan (CV), Director of Finance; Graham Bourne (GB), John Francis (JF) Tracey Wallace(TW).

**Apologies:** Councillors Graham Cox, Matt Follett, Christopher Hawtree, Mo Marsh

Councillor Warren Morgan Chair of Overview and Scrutiny Committee (OSC) welcomed everyone to the meeting. Officers gave information on Designing a Localised Council Tax (CT) Support Scheme and replied to comments and questions on the main issues.

### **1 Introduction**

1.1 Finance Director Catherine Vaughan gave a presentation on Council Tax Support (attached). The level of grant will reduce by over £2.5 million in 2013-2014 compared with 2012-2013. *(This reduction includes the government's planned 10% saving as well as a nationally anticipated reduction in the number of claimants, whereas locally there is a rising trend in claimants. The financial risks are transferring to the Council from government as part of the transfer of responsibility. Changes in the cost of the scheme due to changes in the number of claimants or the level of council tax will become the council's risk. The government grant is expected to be fixed at the time of transfer.)* The long term impact was difficult to estimate though there was some clarity about the position for 2013 – 2014. More accurate information would be available by December; a scheme had to be in place by then.

1.2 Pensioners would be fully protected under the new support scheme, and would receive an equivalent discount as in the existing benefit system, so pensioners would be no better off and no worse off. In answer to a question the workshop heard that Pension Credit was not anticipated to change.

1.3 The average reduction of £145 per year in CT benefit/support for those of working age (either in work or not in work) combined with other changes to household budgets; eg welfare reform, food and fuel bills would have an impact on the finances of vulnerable groups.

1.4 The timescales for introducing the scheme (eg consulting and developing software) were challenging. The earlier proposals were agreed, the more lead-in

time would be possible for testing the scheme, ensuring information is accurate, informing residents, and helping avoid legal challenge. It was likely that some people would be paying council tax for the first time, so collection arrangements and information needed to be clear and easily communicated.

1.5 The government had indicated that local authorities could choose to use Council resources to maintain existing council tax support. However this would mean cuts elsewhere at a time when there were funding reductions in other areas too. Some local authorities were likely to pass on to CTB claimants the full reductions, some may be able to afford to find the full or partial funding from elsewhere.

1.6 It was important that Councillors consider the impact of the 'in-principle' budget choices at an early stage. There would be some degree of flexibility once a scheme had been agreed; however it would not be possible to change the approach.

1.7 Before publishing a draft scheme the Council was obliged to consult with the major precepting authorities – East Sussex Fire and Rescue and Sussex Police. The report was scheduled for Policy and Resources Committee (P&R) on 12 July but the latter had unfortunately not provided a reply.

1.8 The CVSF was undertaking consultations on behalf of the Council. Many advice agencies and the Children and Young People Network were already commenting (see attached) but as yet there had been less representation from other communities of interest; this work is being followed up in the second phase full consultation process. Before a final scheme is submitted to P&R in October, there would be a longer, second period of consultation. At that stage, the implications of the proposals for those affected would be easier to envisage and communicate.

1.9 Separately proposals regarding new powers on Council Tax discounts and exemptions would be considered by July P&R. These would give only modest financial benefits that would not offset changes in Council Tax support.

1.10 Pooling resources with neighbouring local authorities had been ruled out in the current time frame due to different demographics and the complexity of agreeing a single scheme in county areas comprising districts and boroughs. It was hoped to achieve greater consistency in the longer term but meanwhile national advice agencies would need to consider how to give localised advice when each billing area will have different arrangements.

1.11 Extra help and support would be needed by households especially those paying Council Tax for the first time. Providing early advice was a 'win-win' situation; not only in the Authority's interest in terms of collecting council tax, but also in households' interest, to help avoid a spiral of financial difficulty. The earlier a scheme was finalised, the earlier information and advice could be given.

## **2. Designing a Localised Council Tax Support Scheme**

2.1 In reply to a question, CV said implementing the scheme should be fully funded nationally. But technical issues could be more difficult than the government assumes and the Local Government Association was lobbying on behalf of councils.

2.2 GB said the software provider, Northgate, was working constructively and the Council was part of an existing a user group. A flexible set of parameters was being developed that would allow 'pick and mix' options for different authorities. A final test iteration was being planned for October. The software companies would receive a proportion of the national funds allocated to the changes. Later 'add-ons' may be required at hopefully minimal cost to the Council. (Processing Housing Benefit and Council Tax benefit had formerly been done using an integrated Council system, he said.)

2.3 Transitional funding from the Council budget had been identified for consultation and software plus an additional element to provide advice and support to mitigate the impact on those affected. People in need would be helped eg accessing the most appropriate local and national discretionary funds, to get the priorities right and help avoid increases in homelessness and children in care.

2.4 Asked about troubled families in the City, CV told the workshop there was a known link between vulnerability and difficulties in paying Council Tax. JF said that the Council already knew many of the families likely to be adversely affected by the changes.

2.5 Chair of OSC Councillor Morgan emphasised the importance of the right advice for households according to their own priority needs, to avoid duplication and people being referred around to different services.

2.6 CV pointed out that this was a good opportunity to provide joined up advice to the most vulnerable households, though the Social Fund and Discretionary Housing Payments were at a lower level than council tax support.

2.7 GB noted that the most effective way to communicate with many households on these issues was 'face-to-face' or by phone to help prioritise individual needs. Pre-emptive work would be needed to ensure those paying CT for the first time would not fall into arrears. Some families may not use direct debits and costs of CT arrears can often escalate rapidly in a 'lose-lose' situation.

2.8 Regarding government moves towards Universal Credit CV said those payments would have a greater impact on households, typically being the largest part of a recipient's income. Depending on individual circumstances Universal Credit might average around £150 per month compared with £15 CT support. National proposals for these were not yet known and local authorities would have little control over their introduction or administration. It did seem likely that any economies of scale re: council tax support would be lost when Universal credit is introduced, CV stated.

2.9 There were a number of unknowns such as how an CT support appeal process would work and whether local authorities would be responsible for these.

2.10 Turning to the broad approach, CV said that to minimise disruption, it was being suggested that for Year 1, the new scheme would be similar to the existing one, so that only minimal changes are made to entitlement rules and criteria. In this way, the existing CT Benefit information can be more simply rolled over to the new CT Support scheme. This would be less confusing for recipients; mistakes would be less likely and it would be possible to focus more on advising those who had not paid Council Tax before.

2.11 Council Tax support would need to be reviewed annually.

2.12 It was clarified that at Appendix A, description of Option 2; those on 'passporting benefits' would be not be subject to means testing by Councils, but by the Department of Work and Pensions.

2.13 With regards to a query on disincentivising work ie people being better off on benefit rather than at work, the workshop heard that CT support formed only a small part of any possible incentive or disincentive. The potential impact of Universal Credit would be far greater.

2.14 For a younger person accessing employment, it was relatively simple to introduce a device to enable more earned income to be kept. However 'tweaking' the system in this way to protect any particular group, needed to be demonstrably proportionate. Otherwise groups that would 'lose out' as a result may have grounds for legal challenge.

2.15 Asked about officer training, CV explained that recruitment and training in financial inclusion and financial planning, would be scheduled in time to start providing advice in December.

2.16 The Chair welcomed the involvement of the Credit Union. The involvement of many different agencies could be confusing, he felt.

### **3 Results of consultation**

3.1 Emma Daniel, CVSF Policy and Research Manager set out the consultation work that had been commissioned by the Council. This was a short timescale. A draft CVSF feedback report was tabled at the workshop and a full version would be reported to July P&R.

3.2 42 voting members mostly from Advice Services and Children and Young People's Networks had provided input to this part of the consultation. Other communities of interest would be involved more closely at a later stage.

3.3 Officers had given clear information; CVSF feedback showed that the changes had been well explained. It was also well recognised by CVSF that this was a national and not a local decision.

3.4 Child poverty was a key concern, as were younger people (under 35 years old) at the lower end of the benefit scale, and the impact that making additional top up rent payments could have, such as putting food on the table.

3.5 Overall CVSF felt there was no good option, and no scope to incentivise anything. But least worst options could be chosen. There was generally a preference for a mixture of means testing because an income-based approach was seen to be fairest - and maximum payments because of concern for younger working people on low benefits. CVSF had discussed the implications of 'fairness' and felt for instance that a single parent without support for their children should not be treated the same as a single parent in receipt of child maintenance payments.

3.6 ED noted that the 'fairest' choice was not necessarily the 'simplest' or least costly to implement. The Universal Credit announcement would be key.

3.7 CV pointed out it was most important to consider what was the best outcome for different interest groups. Many good ideas were being brought forward and the debate was helping understand the advantages and disadvantages for different households. This would help identify benefits of different elements of proposals.

3.8 Some constructive ideas such as aiming to encourage young people into work, had associated financial risks at this time eg unclear levels of eligibility or potential legal challenge. In her view, implications of the more major changes from the introduction of Universal Credit needed to be known, before making too many early changes to the existing CB Scheme.

3.9 The workshop asked questions about child poverty in families with parents in low income jobs, referring to some 25% of children in the City living in households in receipt of CT Benefit. They asked that Members receive more information on existing caseloads, during the data-gathering process.

3.10 CV highlighted that local authorities would have regard to the changes being made at a national level. However they were not in a position to control or mitigate against them all.

#### **4. EIA**

4.1 TW referred to the draft EIA that was tabled at the workshop; this was being kept updated as information was being brought together. Training for Members was being explored via Democratic Services, she said.

#### **5. Scrutiny Comment**

5.1 The Chair said the Council did have responsibility to deal with the impact of national funding changes, even though it had no control over them, for example in children's services or homelessness. The City had areas of multiple deprivation and some families would feel the impact of a range of changes to and reductions in benefit payments. It was important to provide timely advice for vulnerable households whether in Council properties, housing associations or private rented sector, to help avoid the human and financial costs of crises, the consequences of which the council would ultimately have to deal with.

5.2 Summarising the workshop, the Chair thanked the officers and endorsed CVSF's work on developing a CT Support scheme. He asked that Councillors be kept updated as information became available so that residents' questions could be answered.

5.3 Draft notes of the workshop would go to all OSC Members and be included as an Appendix to the 12 July P&R report.