

Decision maker: Cabinet

Subject: Council Tax Support consultation

Report by: Director of community and communication

Date: 8 July 2016

1. Purpose of report

The purpose of this report is to seek permission to commence public consultation on proposals to amend the council tax support scheme.

2. Recommendations

It is recommended that:

- i. Cabinet notes the provisional timetable for review of the current Council Tax Support policy (see page 5);**
- ii. Cabinet notes that in order to consult with the Council's precept Authorities and the residents of Portsmouth on the changes to the local scheme & the financial implications for them, it will be necessary to take decisions on the Council Tax Support scheme before the Council's annual budget for 2017/18 is ratified and to allow sufficient time for implementation for April 2017**
- iii. Cabinet notes that changes to the council tax support scheme will have the potential to impact on the overall collection of council tax.**

3. Background

Portsmouth City Council's council tax support scheme was introduced in April 2013 this replaced the Council Tax Benefit scheme. It is a local discount scheme which the City Council administers to assist those households on low incomes with their council tax. The current gross cost of the scheme, which represents council tax income forgone is circa £12.3m, the City Council's proportion equates to £10.3m, with the remainder borne by the Police & Crime Commissioner and the Hampshire Fire & Rescue Authority.

The scheme for working age customers can be amended following appropriate consultation with stakeholders. The scheme as applied to pensioner households is determined by Central Government; the City Council must administer this part of the scheme in the prescribed form.

The former Council Tax Benefit scheme was funded directly by Central Government from Council Tax Benefit subsidy, on the basis of the actual benefits paid which varied upwards or downwards accordingly. The new scheme of Local Council Tax Support is now funded through the Local Government Grant funding system which has seen successive reductions since 2011/12. Whilst the former scheme was broadly financially neutral with Government funding the actual cost, the financial risk has now transferred to the Council. On commencement of the new scheme in 2013/14, funding through the Local Government Funding system equated to £11m when the City Council's proportion of the cost of the scheme was circa £11.1m.

By 2015/16, the total cost of the scheme has reduced to £12m and the City Council's proportion has reduced to £10.1m, but at the same time, Council Tax Support funding has been reduced to £8.4m via the Local Government Grant funding system as part of the austerity measures applied by Government. This has created a budget pressure of £1.7m, hence the need for this consultation on proposed changes to the local scheme.

It is a requirement that local authorities consult on any proposed changes with the precept authorities (Hampshire Police & Crime Commissioner and the Hampshire Fire & Rescue Authority) and with the public and other stakeholders.

4. Current Scheme

The current Council Tax Support scheme is means-tested and is based largely on the former Council Tax Benefit. It is administered alongside Housing Benefit by the Revenues & Benefits team.

A protection currently exists which means that people of working age who have limited access to work or who receive a disability benefit are able to have up to 100% of their council tax liability covered by Council Tax Support.

All other working age customers have up to 80% of their council tax liability met by Council Tax Support.

Changes to the Council Tax Support scheme will have some impact on the Council's Tax Base & Collection Fund. The Collection Rate will be directly affected by the ability of residents to meet the costs of new/increased Council Tax bills. The Tax Base is directly affected by the amount of Council Tax Reduction that is given to residents.

Portsmouth City Council is required to consult with the precept authorities and with residents for any changes to the scheme.

Changes to the scheme must be completed by 31st January 2017 for implementation on 1st April 2017.

5. Proposed Changes to be consulted on

There are a number of changes that could be made to the Council Tax Support scheme which would reduce the amount of annual expenditure. It should be noted that any change to the scheme may impact the collection rate for this group.

The following are the main options being offered to members for consideration:

Option 1 - Make a minimum council tax amount payable by all working age customers

Currently people receiving employment support allowance and disability benefits are able to have up to 100% of their council tax liability met through Council Tax Support. This proposal would mean that all working age customers would have to pay at least 20% of their council tax. There would be no distinction between people who are available for work, have limited capacity for work and those on disability benefits.

Option 2 - Increase the amount of council tax that working age customers pay excepting people in receipt of a disability benefit

People who currently have to pay 20% of their council tax would see the proportion they would have to pay rise to a minimum of 25%. People with limited capacity for work would start to pay at least 25% of their council tax, but those on disability benefits would continue to have up to 100% of the council tax met by council tax support.

Option 3 - Increase the amount of council tax that working age customers pay, and cap the amount of council tax support for those with limited capacity for work or people on disability benefits at a lower level.

All working age customers in receipt of council tax support would see an increase in the amount of council tax they would have to pay to a minimum of 30% of their total

liability and people with limited capacity for work or on disability benefits would have to pay a minimum of 10% of their council tax liability.

Option 4 - Increase the amount of council tax that working age customers pay and remove the protection to those with limited capacity for work or people on disability benefits.

All working age customers in receipt of council tax support would have to pay a minimum of 30% of their council tax liability, no protection would be offered to any working age.

There are also some supplementary changes that it is proposed to include in the consultation; these would have a lesser impact than those outlined above.

Restrict council tax support to the level of band C

Customers in receipt of Council Tax Support in properties banded at D or above would have their support calculation based on the council tax liability for a band C property.

Introduce a minimum Council Tax Support award of £2.00 per week

Any award of Council Tax Support that is calculated at less than £2.00 per week would be withdrawn.

Introduce a capital limit of £6,000

At present council tax support allows people to have up to £16,000 total savings before they are excluded from receiving help with their council tax. This proposal would reduce the amount of savings allowable to £6,000.

Alignment with Housing Benefit Regulations

It is proposed that Council Tax Support be aligned with the changes made to the housing benefit scheme by Central Government. These changes will have a small impact on overall council tax support expenditure.

The changes are as follows:

- Reduce the length of time a claim for council tax support can be backdated from 3 months to 1 month (working age claims only)
- Reduce the time that someone can be absent from their home and still receive council tax support from 13 weeks to 4 weeks
- Remove the family premium from council tax support
- Limit the number of dependants affecting a claim for council tax support to two (currently unlimited)
- Remove the employment support allowance work related activity component
- Remove the severe disablement premium when a person receives universal credit (carer element) for them

5. Timetable

DATES	ACTIVITIES
8 th July 2016	Cabinet approval of consultation
11 th July 2016 - 10 th September 2016	Issue formal consultation document to precept authorities
18 th July 2016 - 10 th September 2016	Consult residents / stakeholders, complete full EIA
11 th Sept - Oct 2016	Review consultation outcome, complete financial appraisals report to Cabinet
15 th November 2016	Full Council
November / December 2016	Update and test systems
February / March 2017	Implementation, before Council Tax annual billing process
1 April 2017	Amended council tax scheme implemented

6. Equality impact assessment (EIA)

A full EIA will be performed on the scheme proposal because at the present time we don't have enough information to understand the potential impacts this could have on the protected characteristics defined by the Equality Act 2010. Once the consultation has been completed this information will inform the full EIA so members can make an informed decision on the results.

7. Head of legal services' comments

It is a statutory requirement to undertake consultation on any proposed changes to the scheme

8. Head of finance's comments

Detailed financial appraisals will be completed following consultation.

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Signed by:
Director of Community & Communication

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by: