

Title of meeting: Cabinet – 10th November 2016
Full Council – 15th November 2016

Subject: Council Tax Support Scheme (known nationally as Council Tax Reduction Scheme)

Report by: Director of Community and Communications

Wards affected: All

Key decision: Yes

Full Council decision: Yes

1. Purpose of report

The purpose of this report is for Council to approve for implementation on 1st April 2017 Portsmouth City Council's revised scheme for Council Tax Support and an associated Hardship Fund.

2. Recommendations

That Cabinet agree & recommend the following to Council:

- i. The results of the public consultation on the Council Tax Scheme are noted.**
- ii. To implement a revised Council Tax Support Scheme for Portsmouth from 1st April 2017, with the following key features:**
 - a) To introduce a maximum level of support for all working age applicants to 80%**
 - b) To reduce the capital limit from the existing £16,000 to £6,000**
 - c) To restrict the maximum level of Council Tax Reduction payable to the equivalent of a Band C**
 - d) To set a minimum level of support at £2 per week**
 - e) To bring the working age Council Tax Scheme in line with Housing Benefit changes proposed by Central Government**
- iii. A Hardship Fund of £250k to be provided for 2017/18, subject to annual review, to give support to households in financial difficulty due to a reduction in the Council Tax Support they receive.**

3. Background

Council Tax Benefit (CTB) was abolished from 1st April 2013 as laid down in the Welfare Reform Act 2012 and replaced by a local Council Tax Support scheme.

A new local Council Tax Support Scheme was adopted by PCC from the 1st April 2013. In summary, under that scheme:

- those of a pensionable age retain 100% support as per national requirements;
- working-age households who are eligible for Council Tax Support can receive up to 80% discount on their council tax;
- some people can get 100% support if they are receiving any of the following:
 - Employment Support Allowance – Support Component;
 - Employment Support Allowance – Work Related Activity Component
 - Disability Premium;
 - Enhanced Disability Premium;
 - Severe Disability Premium;
 - Disabled Child Premium;
 - Enhanced Disability Premium for Dependants;
 - An earnings disregard in relation to disability;
 - Council Tax Disabled Persons Reduction;
 - Disability Living Allowance (or Personal Independence Payment from April 2013)
 - Incapacity Benefit at the Long Term Rate

Running the Council Tax Support scheme in Portsmouth costs more than £12m a year and on-going cuts to government funding has resulted in the council currently making up a £1.7m shortfall every year.

Responses to our budget consultation exercise in 2015 were clearly in favour of reducing the current Council Tax Scheme, with over 70% indicating that they would support such reduction.

Portsmouth City Council held a public consultation on the scheme from 11th July 2016 to 29th September 2016. Details of this can be found at Appendix 1 The consultation was responded to by 1340 customers, of which 24% stated that they were current recipients of Council Tax Support.

The consultation explored options for funding the current £1.7m per annum shortfall and detailed potential options to change the current Council Tax Support Scheme.

The potential options for funding the £1.7million shortfall were:

1. Further reduce expenditure in other Council services;
2. Increase Council Tax income to recover the shortfall from taxpayers;
3. Recover the shortfall from taxpayers who are currently in receipt of Council Tax Support.

In all three options the recovery requirement on taxpayers is already being reduced through additional income from changes to discounts and exemptions on empty homes.

The consultation asked respondents to state whether or not they felt we should increase Council Tax or reduce services rather than make changes to the Council Tax Support Scheme. For those indicating a choice, the majority felt that we should not increase Council Tax, nor should we make further reductions to services in order to meet the shortfall.

Option 3 (to change the current Council Tax Support Scheme) was determined to be the most suitable because:

- I. Consultation responses indicated a clear preference not to increase Council Tax nor reduce Council Services;
- II. Consultation responses from both 2015 budget consultation and the Council Tax Support Scheme consultation indicated a majority wanting the scheme to change;
- III. The pressure on Council Tax rates would be amplified –
 - Pensioners must receive the same level of Council Tax support as they receive now;
 - Any increase in Council Tax rates produces a significant proportionate increase in the requirement for Council Tax support.

4. Reasons for recommendations

Full details of the consultation can be found at Appendix 1. The majority of respondents when stating a preference, felt that the scheme should change, with 55% agreeing that the change should be to adopt option 4 of the consultation.

In response to the question asking for a preferred scheme from those being consulted on, the preferred choice was option 4 with 47%, with 25% selecting option 1, 16% option 3 and 12% option 2.

Adoption of option 4, would remove the current 'blanket policy' of protection for working age customers in receipt of certain benefits, whilst protecting all other recipients from a further increase to the percentage they would be asked to contribute.

It is worth noting that the benefits in question on option 4 are not taken into account when calculating someone's entitlement to Council Tax Support and in addition the customers receiving these benefits often receive additional premiums. An example of how this may work is shown below

	Mr Smith	Mr Jones
Weekly earnings	£115.20	£115.20
Weekly disability benefits	£0	£43.60
Weekly council tax support	£4.28	£11.05

As can be seen in this case, the customer in receipt of benefits receives more Council Tax Support, whilst receiving more weekly income in addition.

This option would be fairer and more equitable in that the current 'blanket policy' of protection has no regard to actual need. This would be replaced instead by assistance on a case by case basis.

Adoption of option 4 and the other recommendations listed at 2 (ii) are based on the consultation responses (see Appendix 1) with 67% agreeing to a reduction in the capital limit to £6k; 58% agreeing to a restriction to Band C and 73% agreeing to a minimum level of £2 per week.

The recommendation for a Hardship Fund (see Appendix 2) will enable customers to apply for and receive additional assistance based on need. It will protect the most vulnerable households in receipt of Council Tax Support, with a total fund of £250,000 for 2017/18.

The purpose of the fund would be to ensure that a level of protection and support is available to those applicants who are in need and require additional financial assistance. This fund will be made available where an applicant is in receipt of Council Tax Support but the level of support being paid does not meet the full council tax liability and they are in financial hardship. Any payment made would be at the discretion of the council and each case would be considered on its own merits.

4. Revised Council Tax Support Scheme from 1st April 2017

For full details see Appendix 3 and for a financial analysis on how these changes may affect current recipients see Appendix 4.

The local scheme and its financial impacts have been calculated by changing specific variables that are used in assessment. The scheme is designed to take account of Local Authority duties.

The recommended changes are:

- 1) Support to be capped at a maximum of 80% of council tax liability for all working age claims.**

Capping at a maximum of 80% of council tax liability means that all working age recipients will be required to pay towards their council tax.

The effect of this change is substantial in comparison to other changes. It is based on the principle of sharing the reduction in support across the widest group possible under the rules of the scheme, so that other than pensioners, everyone will be paying something towards their council tax charge.

2) Reduce the capital limit to £6000

This change will mean that recipients with capital in excess of £6000 will no longer be eligible for Council Tax Support.

3) Restrict the maximum level of Council Tax Reduction payable to the equivalent of a Band C

The current Council Tax Reduction scheme uses the full amount of Council Tax charge irrespective of the band of the property. There are eight Council Tax Bands A to H. It is proposed that where an applicant lives in a property which is Band D, E, F, G or H then the Council Tax Reduction will be calculated on the basis of a Band C charge.

4) Set a minimum level of support at £2 per week

Where an applicant or current recipient is entitled to receive less than £2.00 per week no amount of Council Tax Reduction will be granted.

5) Bring the working age Council Tax Scheme in line with Housing Benefit changes proposed by Central Government.

Removing the Family Premium for all new working age applicants

Reducing Backdating to 1 month

Reducing the period for which a person can be absent from Great Britain and still receive Council Tax Support to 4 weeks

To remove the element of a Work Related Activity Component in the calculation of the current scheme for new Employment and Support Allowance applicants.

To limit the number of dependent children within the calculation for Council Tax Support scheme to a maximum of two

To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carers Element) to look after them

5. Equality impact assessment

A full Equalities Impact Assessment was undertaken and is attached at Appendix 5.

Under the Equality Act, s.149, the Council has a duty to have due regard to the need to eliminate unlawful discrimination and to advance the equality of opportunity and foster good relations between people who share a protected

characteristic and those who do not. This includes meeting the needs of people with disabilities and it may need to involve treating people with disabilities more favourably than people who do not have a disability. We recognise that disabled people suffer much bigger obstacles to gaining employment which would enable them to afford paying council tax so we do not take their Disability Living Allowance or Personal Independence Payment into account as income.

We have duly considered our duties under the Equality Act and to mitigate disproportionately negative impact, although the results did not show a disproportionate impact on people with a protected characteristic but the changes will impact on working age council tax payers that have protection at the moment, making these changes will make it more equitable across all council tax payers. We have put in place a hardship fund for individuals if they are experiencing difficulties if there is an adverse impact from the changes proposed.

Every person that receives council tax support has been sent a letter informing them about the consultation and how they can access the survey.

Approximately 100 paper copies of the survey have been sent to various residents due to them not being able to access the survey online.

12 large print versions have also been sent out for people that had a visual impairment.

6. Legal implications

Section 10 of the Welfare Reform Act 2012 added a new section 13A to the Local Government and Finance Act 1992 so that, in respect of dwellings in England, a person's liability to pay Council Tax is reduced in accordance with the billing authority's Council Tax Reduction Scheme. Liability may be reduced "to such an extent as the billing authority thinks fit." Billing authorities can apply a reduction in particular cases or by determining a class of case. Liability for Council Tax can be reduced to nil.

The framework within which billing authorities must devise their Council Tax Reduction schemes is contained in Part 1 of Schedule 4 to the Act. This Schedule provides that the following matters *must* be included in an authority's scheme:

- a description of the classes of person entitled to a Council Tax reduction;
- details of the reductions which are to apply to those classes (different classes of persons may be entitled to different reductions);
- the procedure under which a person may apply for a Council Tax reduction; and
- an appeals procedure covering decisions over entitlement to a reduction and the amount of any reduction due.

Schedule 4 sets out the type of considerations an authority might take into account in deciding which classes of person are entitled to a reduction, including:

- capital and income levels of the person liable to pay Council Tax;
- capital and income levels of other residents in the dwelling;
- the number of dependents of the person liable or other residents; and
- whether the person has applied for a reduction.

A reduction may take the form of:

- a discount calculated as a percentage of the amount of Council Tax due;
- a fixed discount set out in the scheme or calculated in accordance with the scheme;
- an amount of Council Tax to be paid (lower than that payable if not for the reduction scheme) which is set out in the scheme or calculated in accordance with it; or
- the whole amount of Council Tax (so the amount payable is nil).

7. Director of Finance's comments

The financial implications associated with the recommendations are contained at Appendix 4 of the report.

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Signed by:

Appendices:

- Appendix 1 – Consultation Summary report
- Appendix 2 – Hardship Fund
- Appendix 3 a) Council Tax Support Scheme policy
b) Council Tax Support summary
- Appendix 4 – Financial Analysis
- Appendix 5 – Equalities Impact Assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

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

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Signed by: