



Derby City Council

COUNCIL CABINET
18 January 2017

Report of the Cabinet Member for Strategy and Policy

ITEM 10

Changes to the Council Tax Support Scheme from 1 April 2017

SUMMARY

- 1.1 Derby's local Council Tax Support (CTS) Scheme was introduced from 1 April 2013, to replace the national Council Tax Benefit (CTB) Scheme which had been abolished by Central Government. The CTS Scheme assists working age claimants who require financial assistance with paying their Council Tax bills. Pensioners are not affected by the CTS Scheme as they are treated separately under different legislation.
- 1.2 On 3 February 2016 Council approved a series of measures to manage budget risks in 2016/17 and future years including a review of the CTS Scheme to deliver savings of £800,000 from Derby City Council's share of Council Tax for the 2017/18 financial year.
- 1.3 In addition to this the Government's continuing programme of welfare reforms has meant changes to the Housing Benefit (HB) Scheme, meaning that in some instances different rules are now being operated between the HB and CTS Schemes. HB and CTS are usually claimed together on a joint claim form.
- 1.4 On 13 July 2016 Council Cabinet agreed that a consultation would take place about making changes to the CTS Scheme, to take effect from 1 April 2017. The proposals would be designed to explore different options for delivering efficiencies within the Scheme, seek to provide consistency and minimise confusion for claimants by aligning some aspects of the CTS Scheme with the HB Scheme and provide operational clarity on the administration of the CTS Scheme. The Scheme must be changed by 31 January 2017 in order to take effect from 1 April 2017.
- 1.5 Consultation was carried out with the Major Precepting Authorities (MPAs) between 26 July 2016 and 2 August 2016. The Police and Crime Commissioner for Derbyshire responded to this but did not make any comments about the specific proposals to change the Scheme. Consultation was carried out with the public for 12 weeks between 5 August 2016 and 28 October 2016. **Appendix 2** sets out the Consultation Plan. The public consultation was done mainly online, which is the format in which the vast majority of CTS claims are lodged and processed. However, paper forms were made available for those who could not engage online, to ensure all citizens could take part in the consultation.
- 1.6 The material used for the consultation is at **Appendix 3**.
- 1.7 A detailed analysis of the consultation responses is at **Appendix 4**.

- 1.8 During the consultation period an Equalities Impact Assessment (EIA) was completed to consider the impacts of the proposed changes on Derby residents. This highlighted a number of issues to be considered. The EIA was reviewed again when the public consultation outcomes were known, to see if any further equalities impacts had been identified, before making final recommendations. The EIA is attached to this report at **Appendix 5**, and should be taken into account as part of considering the recommendations for changes to be made to the Scheme.
- 1.9 The revised proposed CTS Scheme is at **Appendix 6**.
- 1.10 A Glossary of terms is at **Appendix 7**.

RECOMMENDATION

- 2.1 To increase the minimum contribution to 30% for all working age CTS claimants, apart from those claimants set out in recommendation 2.2.
- 2.2 To increase the minimum contribution to 27.5% for working age claimants where there is a level of disability and disability income has been awarded. This applies only where a disability premium, severe disability premium, enhanced disability premium or disabled child premium is allowed when calculating CTS entitlement. Therefore providing this cohort with a level of protection from the full increase.
- 2.3 To agree the implementation of paragraph 2.2 as transitional protection in the Council's CTS Scheme for a period of one year commencing on 1 April 2017.
- 2.4 To restrict all CTS awards to Council Tax Band A level.
- 2.5 To retain the capital limit of £6,000.00.
- 2.6 To retain the minimum weekly CTS award limit of £4.00 a week.
- 2.7 To use the HB rules and deductions for the treatment of non-dependents, but using a small weekly deduction of £4.00 for those non-dependents who are able to demonstrate that they have gross income of less than £100.00 a week, including those on a passport benefit and those on Universal Credit (UC) who are not working.
- 2.8 To retain the family premium in the CTS calculation.
- 2.9 To align the CTS Scheme rules relating to temporary absence to the HB Scheme.
- 2.10 To align the CTS Scheme rules relating to the backdating time limit to the HB Scheme.

REASONS FOR RECOMMENDATION

- 3.1 To deliver financial efficiencies from the CTS Scheme from 1 April 2017, as required.
- 3.2 To safeguard the level of savings that CTS claimants can have before they lose all

entitlement to CTS.

- 3.3 To safeguard the minimum weekly CTS award limit that claimants can receive.
- 3.4 To provide an incentive to work for out of work non-dependents and provide a degree of protection for working non-dependents on a low income.
- 3.5 To provide a degree of protection to the amount of CTS that working age households can receive where there is a level of disability in the household or for working families.
- 3.6 To minimise the impact of those incidents where the changes to the Council's 2017/18 CTS Scheme results in working age households losing all of their entitlement to CTS.
- 3.7 To provide consistency and minimise confusion for claimants by aligning some aspects of the CTS Scheme with the HB Scheme.

SUPPORTING INFORMATION

The consultation

- 4.1 The original proposals to change the CTS Scheme that were consulted on were as follows:
- To increase the minimum contribution that all CTS claimants have to pay towards their Council Tax, from 20% to either 25%, 30% or 35%;
 - To change the minimum contribution rule arrangements so that the amount some CTS claimants have to pay towards their Council Tax could vary, depending on their circumstances. The consultation sought views on having a lower rate for disabled people, all families and low income families;
 - To restrict all CTS awards to Council Tax Band A level;
 - To reduce the capital limit from £6,000 to either £3,000, £2,000 or £1,000;
 - To increase the amount of the minimum award that can be paid from £4.00 a week to either £5.00 or £6.00 a week;
 - To use the non-dependent HB rules and deductions as closely as possible;
 - To use the non-dependent HB rules and deductions as closely as possible but using a smaller standard deduction – either £3.00, £4.00, £5.00 or £6.00 a week - for non-dependents with income of less than £100 a week, including where the non-dependent is on a passport benefit;
 - To change the rules about those who are temporarily absent from their homes because they have left Great Britain for more than four weeks, in line with the HB Scheme;
 - To remove the family premium from the CTS calculation;
 - To reduce the maximum period of time that CTS can be backdated for from three months to one month, in line with the HB Scheme;
 - To provide temporary protection – "Transitional Protection" – for some or all CTS claimants from some or all of the proposed changes to the Scheme for 2017/18.
- 4.2 The public consultation for the proposed changes to the CTS Scheme included an explanation of why we were consulting; gave scenarios of how the proposed changes would affect households; explained how the respondent could give their views; contained a questionnaire relating to the specific elements of the proposed Scheme that the respondent could respond about; and included questions regarding the respondent's circumstances. The consultation document was available online and also in a paper format.

- 4.3 The Consultation Plan – **Appendix 2** – shows the full timetable of activities that were taken to engage the public.
- 4.4 Despite this comprehensive and inclusive consultation approach the number of responses was low at 67, all of which were online. 9.1% of respondents were receiving CTS at the point of completing the questionnaire. This broadly reflects the general population in Derby where an estimated 8.5% of households would be directly affected by changes to the CTS Scheme.
- 4.5 The consultation responses can be summarised broadly as follows – note that percentages have been rounded to two decimal places and as such may not total 100:

No	Proposal	In favour	Against	Don't know/no overall opinion either way	Total
1	Increase the minimum contribution for all	50.74%	41.79%	7.46%	99.99%
2	Varying the amount of minimum contribution for:				
	a. Disabled claimants	55.22%	37.32%	7.46%	100%
	b. All families	31.35%	50.75%	17.91%	100.01%
	c. Low income families	50.75%	40.30%	8.96%	100.01%
3	Restrict all CTS awards to Council Tax Band A level	43.29%	46.27%	10.45%	100.01%
4	Reduce the capital limit	46.97%	45.46%	7.58%	100.01%
5	Increasing the minimum award that can be paid	41.79%	52.24%	5.98%	100.01%
6	Use the HB rules for non-dependents	56.71%	34.33%	8.96%	100%
7	Use the HB rules for non-dependents but with a small weekly deduction for those on low income	46.27%	40.30%	13.43%	100%
8	Use the HB rules for temporary absence	71.64%	16.42%	11.94%	100%

No	Proposal	In favour	Against	Don't know/no overall opinion either way	Total
9	Removing the family premium from the CTS calculation	46.27%	41.79%	11.94%	100%
10	Use the HB rules for the backdating time limit	59.70%	28.36%	11.94%	100%
11	<p>To provide temporary protection for some or all claimants from some or all changes.</p> <p>Who should be protected (top three results):</p> <p>a. Disabled claimants b. Low income families c. All claimants</p> <p>Which proposals should people be protected from (top three results):</p> <p>d. Increase in minimum contribution e. Restricting to Band A f. Increase minimum award</p>	<p>46.97%</p> <p>37.88%</p> <p>33.33%</p> <p>53.73%</p> <p>49.25%</p> <p>44.78%</p>			

- 4.6 In the EIA, the main concerns and comments raised in terms of equalities impacts related to the impact of some of the proposals on disabled people, pregnant women, race and families and people on low income. The proposals particularly referred to were those relating to capital limits, backdating rules, Band A restriction, temporary absence, non-dependents, the minimum award and the family premium. However, the EIA also identified that having a lower minimum contribution for disabled people and low income families would have positive impacts.

Design Principles

- 4.7 In addition to using feedback from the public consultation and EIA the following key principles have been used when designing the Council's 2017/18 CTS scheme:
- The minimum contribution rate should not be increased to such a level that would disproportionately affect claimants' ability to pay their Council Tax;
 - Proposals which would result in a "cliff edge" for claimants should be avoided if possible; a cliff edge is where a claimant moves from receiving some CTS to suddenly losing all their entitlement due to a change in the Scheme;
 - Disabled people should be protected from the full extent of any increase in the general minimum contribution rate. Having twin-track rates would allow the Council to provide some Transitional Protection within its Scheme which, according to legal opinion, is a mandatory requirement;
 - Some protection should be afforded to those who are working, where possible, to reflect Central Government's drive to get and keep people in work.
- 4.8 With these design principles in mind the consultation proposals have been reviewed and decisions made on the recommendations to be put to Cabinet.

Proposal One – Increasing the minimum contribution rate for all CTS claimants

- 4.9 This proposal seeks to provide some equity in terms of how efficiencies required from the Scheme are delivered. Essentially, all CTS claimants would be affected by having to pay more Council Tax. The consultation responses showed that 50.74% of respondents agreed with this proposal; 41.79% disagreed and 7.46% had no overall opinion either way. All respondents that considered themselves to have a disability either disagreed or strongly disagreed with this proposal. This was a significant difference from respondents without disabilities. The majority of the respondents (56.06%) felt the rate should be set at 25%.

Studies by leading authorities, including the Joseph Rowntree foundation show that minimum contribution rates higher than 30% result in disproportionate payment issues for claimants.

It is recommended that the minimum contribution rate is increased from 20% to 30%, apart from those claimants protected by the results of Proposal Two.

Proposal Two – Varying the amount of minimum contribution for some claimants

- 4.10 This proposal seeks to protect some claimants from the full effects of any increase to the minimum contribution rate. In the consultation views were sought on whether this protection should be given to disabled people, all families and / or low income families.

The consultation responses showed that 58.46% of respondents were in favour of this proposal. 55.22% of respondents favoured protecting disabled people; 31.35% favoured protecting all families and 50.75% favoured low income families. The proposal that the lowest proportion of respondents agreed with across the whole consultation, related to giving all families a lower minimum contribution rate.

The EIA found that having a reduced minimum contribution rate for disabled people and low income families would have positive impacts.

It is recommended that the minimum contribution rate for people affected by disability is increased from 20% to 27.5%, which is lower than the 30% rate recommended for all other claimants under Proposal One.

Proposal Three – Restricting all CTS awards to Council Tax Band A level

- 4.11 This proposal seeks to deliver efficiencies by capping all awards to Council Tax Band A level; they are currently capped at Band B. This would mean that all CTS claimants in Bands B – H would be treated as though they were in a Band A property and this would reduce the amount of support they receive.

The consultation responses showed divided opinion on this proposal. 43.29% of respondents agreed with it; 46.27% disagreed, but 10.45% either didn't know or had no overall opinion either way.

The EIA found that this may disadvantage disabled claimants who are less able to move to a lower banded property due to disabled adaptations or the need for a room for a carer.

It is recommended that all CTS awards are restricted to Council Tax Band A level, due to the efficiencies that are required from the Scheme in 2017/18.

Proposal Four – Reducing the capital limit

- 4.12 This proposal seeks to deliver efficiencies by reducing the capital limit in the CTS Scheme from £6,000.00 to either: £ 3,000.00, £2,000.00 or £1,000.00.

The consultation responses showed divided opinion on this proposal. 46.97% agreed with it; 45.46% disagreed; 7.58% either didn't know or had no overall opinion either way.

The EIA found that this proposal would impact negatively on disabled people, pregnant women and families and people on a low income.

This proposal would create a cliff edge for affected claimants, as anyone with capital over the limit would lose all their CTS entitlement. In addition, given the inconclusive response from the consultation together with the significant impacts identified by the EIA it is recommended that this proposal should be withdrawn and that the capital limit remain at £6,000.00.

Proposal Five – Increasing the minimum award that can be made

- 4.13 This proposal seeks to deliver efficiencies by increasing the limit on the minimum weekly CTS award that can be made from £4.00 a week to either £5.00 or £6.00.

The consultation responses showed that this proposal had the strongest opposition. 41.79% of respondents agreed with this; 5.98% didn't know or had no overall opinion either way, but 52.24% disagreed with it.

The EIA found that this proposal would have a negative impact on families and people on a low income.

This proposal would create a cliff edge for affected claimants, as anyone with CTS entitlement below the minimum award limit would lose all their CTS entitlement. In addition, taking the negative feedback from the consultation and impact identified by the EIA into account it is recommended that this proposal should be withdrawn and that the minimum award limit remain at £4.00 a week.

Proposal Six – Using the HB rules and deduction rates for the treatment of non-dependents

- 4.14 This proposal seeks to deliver efficiencies by using the HB rules and deduction rates for the treatment of non-dependents.

The consultation responses showed that this was one of the most strongly supported proposals. 56.71% of respondents agreed with this; 34.33% disagreed and 8.96% either didn't know or had no overall opinion either way.

The EIA found that this proposal would have a negative impact on families and people on a low income.

This proposal would create a cliff edge for affected claimants, as they would all lose all their CTS entitlement. On this basis it is recommended that this proposal should be withdrawn, in favour of Proposal Seven.

Proposal Seven – Using the HB rules and deduction rates for the treatment of non-dependents, but making a smaller weekly deduction where the non-dependent is on a low income

- 4.15 This proposal seeks to deliver efficiencies by using the HB rules and deduction rates for the treatment of non-dependents as closely as possible, but making a smaller weekly deduction from the claimant's CTS award where the non-dependent is on gross income of less than £100.00 a week including when on a passport benefit or on Universal Credit (UC) but not working.

The consultation responses showed that 46.27% of respondents agreed with this; 40.30% disagreed and 13.43% had no overall opinion either way.

The EIA found that this proposal would have a negative impact on families and people on a low income.

This proposal would create a cliff edge for some affected claimants, but not all. For those claimants where the smaller deduction is applied, they may retain some CTS entitlement. The smaller deduction acknowledges that these non-dependents will not be able to contribute fully to household expenses whilst their income remains low. Furthermore, the smaller deduction could incentivise and reward work for some non-dependents. Under the current Scheme, claimants with non-dependents who are on passport benefits do not incur a deduction in their CTS award. Under this proposal the new deduction would apply, and would act as an incentive for the non-dependent to increase their income as they would be expected to contribute to the claimant's household expenses. Furthermore, claimants with non-dependents who are in low-paid work will not necessarily lose their entire CTS award, whereas if Proposal Six had been adopted they would have lost it in full.

It is recommended that we use the HB rules and deduction rates for the treatment of non-dependents, but making a weekly deduction of £4.00 a week where the non-dependent is on less than £100.00 gross income a week, including those on a passport benefit and those on UC who are not working.

Proposal Eight - Using the HB rules for temporary absence

- 4.16 This proposal seeks to align the rules about temporary absence to the HB Scheme to provide consistency and minimise confusion for claimants, who usually make joint claims for CTS and HB on the same claim form.

The consultation responses showed that this was the proposal that received the strongest support. 71.64% of respondents agreed with it; 16.42% disagreed and 11.94% either didn't know or had no overall opinion either way.

The EIA found that this proposal may disadvantage those who may wish to visit family abroad for longer than four weeks.

This change would not deliver significant financial savings, and it is unlikely that it would affect many claimants. Given the strong support from the consultation responses and the inherent advantages of being able have consistent rules for claimants between CTS and HB, it is recommended that the CTS Scheme should use the same rules as the HB Scheme for temporary absence purposes.

Proposal Nine - Removing the family premium from the CTS calculation

- 4.17 This proposal seeks to deliver efficiencies by removing the family premium from the CTS calculation.

The consultation responses showed divided opinion on this proposal. 46.27% of respondents agreed with it; 41.79% disagreed and 11.94% either didn't know or had no overall opinion either way.

The EIA found that this proposal would reduce the amount of CTS awarded to families.

Families generally may be potentially impacted by the forthcoming two child restriction change to be applied nationally in the HB Scheme, changes to the Benefits Cap limits and the proposed increase to the minimum contribution.

Given the divided opinion from the consultation responses and the impact identified from the EIA, it is recommended that this proposal should be withdrawn and the family premium retained, to provide some protection for working families.

Proposal Ten - Using the HB rules for the backdating time limit

- 4.18 This proposal seeks to align the rules about the backdating time limit to the HB Scheme to provide consistency and minimise confusion for claimants, who usually make joint claims for CTS and HB on the same claim form. This would reduce the time limit to one month.

The consultation responses found that this proposal had some of the strongest support in the consultation. 59.70% of respondents agreed; 28.36% disagreed and 11.94% either didn't know or had no overall opinion either way.

The EIA found that this proposal could have negative impacts on disabled people, those who do not have English as their first language and families and people on a low income.

This change would not deliver significant financial savings and it is unlikely that it would affect many claimants. Given the strong support from the consultation responses and the inherent advantages of being able have consistent rules for claimants between CTS and HB, it is recommended that the CTS Scheme should use the same rules as the HB Scheme for backdating time limit purposes.

Proposal 11 - Providing temporary protection for some or all claimants from some or all changes

- 4.19 This proposal seeks to provide some Transitional Protection from 1 April 2017 within the CTS Scheme. The consultation sought views on who should be protected during 2017/18, and which potential changes they should be protected from.

The consultation responses found that this was the second most supported proposal in the consultation. The top three favoured groups of claimants to receive protection were: disabled people (46.97%); low income families (37.88%) and all claimants (33.33%).

The respondents said that the top three favoured proposals that people should be protected from during 2017/18 were: increases in the minimum contribution (53.73%); restricting all CTS awards to Council Tax Band A (49.25%) and increasing the minimum award that can be paid (44.78%). Respondents could provide more than one response to this.

The EIA found that providing a reduced minimum contribution rate would have a positive impact for disabled people and families.

The amount of Transitional Protection allowed will ultimately impact on the efficiencies that can be delivered from the other proposals, so it is crucial that it is applied where it is most required.

Given the feedback from the consultation and the EIA, it is recommended that Transitional Protection is delivered by way of Proposal Two – to allow a lower minimum contribution rate for disabled people.

Profile of the recommended CTS Scheme for 2017/18

4.20 To summarise, based on the recommendations in this report, the attributes associated with the proposals for the recommended 2017/18 CTS Scheme are:

- 30% minimum contribution for all, apart from disabled people;
- 27.5% minimum contribution for disabled people;
- All CTS awards restricted to Council Tax Band A level;
- Capital limit remains at £6,000.00;
- Minimum award limit remains at £4.00 a week;
- Use the HB rules and deduction rates for the treatment of non-dependents as far as possible, but using a weekly deduction of £4.00 for non-dependents who have gross income of less than £100.00 a week including those who are on a passport benefit or who are on UC and not working;
- Retain the family premium;
- Use the HB rules for temporary absence;
- Use the HB rules for the backdating time limit.

All other aspects of the CTS Scheme to remain unchanged, apart from any routine operational updates deemed necessary.

OTHER OPTIONS CONSIDERED

- 5.1 Do nothing. This is not an option as the CTS Scheme is required to deliver savings for 2017/18. In addition different rules would continue to operate to those in the HB Scheme relating to temporary absence and backdating time limits which would cause confusion for claimants.
- 5.2 An alternative Scheme was modelled, to establish the maximum savings that could be realistically achieved using the most adverse scenarios in the consultation proposals. This would have delivered savings of around £1,728,243.72. This was rejected due to the financial implications this would have caused for our CTS claimants and also because of the high likelihood of a sharp reduction in Council Tax collection rates resulting from an increased incidence of non-payment meaning the savings were not realised. Further, it also exceeded the savings required from the Scheme for 2017/18.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Toni Nash, Head of Finance David Cox, Head of HR Martyn Marples, Director of Finance Lynda Innocent, Head of Information Software Support Ann Webster, Equality and Diversity Lead
For more information contact: Background papers: List of appendices:	John Massey 01332 643774 john.massey@derby.gcsx.gov.uk None Appendix 1 – Implications Appendix 2 – Consultation Plan Appendix 3 – Consultation material Appendix 4 – Detailed analysis of consultation responses Appendix 5 – Equalities Impact Assessment Appendix 6 – Revised CTS Scheme for 2017/18 Appendix 7 – Glossary of terms

IMPLICATIONS

Financial and Value for Money

- 1.1 The CTS Scheme is required to deliver savings of £800,000 from Derby City Council's share of Council Tax in 2017/18. Based on Council Tax collection rates from those on CTS, a prudent forecast is that around 75% collection can be achieved from these customers. On this basis, the revised CTS Scheme needs to achieve annual savings of £1,280M from the total amount of Council Tax charged to deliver the £800,000 budget saving required.

The recommended Scheme has been modelled using clean data from the Council's Benefits system provider. There are no known bugs within the modelling tool. The modelling was done based on the current CTS charge that applies to each household, with current premiums and income rates.

Legal

- 2.1 The legal requirement to consult before a Local Authority can amend its Council Tax Reduction Scheme is contained in the Local Government Finance Act 2012, Schedule 4.
- 2.2 The principles of effective consultation require that:
- Consultation must be at a stage when proposals are still at a formative stage;
 - The proposer must give sufficient reasons for it so as to "permit intelligent consideration and response";
 - Adequate time must be given for consideration and response;
 - The product of consultation "must be conscientiously taken into account in finalising any statutory proposals".
- 2.3 It is therefore essential that the consultation exercise is conducted in a comprehensive way and considered fully before a final decision is made by Cabinet in January 2017. The report to Cabinet must include the outcome of the exercise and the justifications for the decisions made, in light of these outcomes.
- 2.4 Similarly, Cabinet must have available to it when it makes that decision, an Equality Impact Assessment that demonstrates the extent to which recipients who fall into the equality strands and who may be impacted by the proposals, have had their interests taken account of, so far as it is reasonably possible to do so.

Personnel

3.1 None

IT

4.1 None

Equalities Impact

5.1 An Equality Impact Assessment has been done as part of the consultation on the proposed changes to identify the impacts on affected claimants. Representatives from the Diversity Forum and Derby Advice took part in the meeting to assess the equality implications. The EIA was reviewed again when the outcomes of the consultation were known to review if any further equalities impacts had been identified, before making final recommendations.

Health and Safety

6.1 None

Environmental Sustainability

7.1 None

Property and Asset Management

8.1 None

Risk Management and Safeguarding

9.1 None

Corporate objectives and priorities for change

10.1 The recommended CTS Scheme for 2017/18 aims to provide some protection to both families and vulnerable households across the City. This links to the Council's priorities for Derby to be a place where people are safe and the vulnerable are put first and supported.

