

Review of Birmingham's Council Tax Support Scheme 2016/17

Introduction

On the 1st April 2013, Council Tax Benefit was abolished and the Department for Communities and Local Government (DCLG) transferred responsibility for provision of Council Tax Support to local Councils. Councils now have a duty to design and administer local Council Tax Support schemes.

Funding for Council Tax Support schemes provided by the DCLG in 2013/14 were reduced nationally by 10%. Future funding will no longer alter to reflect increases or decreases in claimant numbers and loss of council tax income. Any changes in the amount of Council Tax Support discounts must be accounted for within the collection fund.

The Council Tax Support scheme (CTS) for Birmingham was adopted following a Motion proposed at Full Council on the 8th January 2013. The scheme took effect from 1st April 2013.

Consultation took place with the precepting authorities, following which, a draft scheme was then published and a full consultation process with stakeholders and members of the public took place between September and December 2012.

As a result of this consultation, amendments were made to the draft scheme resulting in additional groups receiving protection from a reduction in their Council Tax Support. A full Equality Impact Assessment was carried out as part of the design of the scheme and this was updated throughout the consultation process.

A formal review of the first year of the scheme was carried out as required under the Local Government Finance Act 2012 and a further Motion was presented to a meeting of Full Council in January 2014 recommending that the same scheme be adopted for year two and this motion was approved.

A formal review of the second year of the scheme was carried out in September 2014. Following this review a Motion was subsequently presented to a meeting of Full Council in January 2015 again recommending that the same scheme be adopted for year three.

In September 2015 a third formal review was carried out, again the recommendation was that the same scheme be adopted for year four. This motion was presented to Full Council in January 2016.

This is a review of the fourth year of the Scheme and to consider whether any revisions to the current scheme are necessary for 2017/18 or whether there is a requirement to replace the current scheme with another.

This report considers how the scheme has worked, whether any anomalies have arisen and whether any apparent injustices have been caused. The Equality Impact

Assessment has been revisited taking account of the fourth year of the operation of the Scheme.

Summary of the Current Council Tax Support Scheme

The principles of Birmingham's Council Tax Support scheme are:

- Claimants of working age must contribute at least 20% of their council tax liability and receive up to a maximum of 80% Council Tax Support dependant on their income and family circumstances.
- Protection for pensioners is prescribed in law so that their maximum council tax support is based on 100% of their council tax liability subject to their income and circumstances.
- The Birmingham scheme also incorporates protection for vulnerable groups to have their council tax support assessed on 100% of their council tax liability, these are defined as follows:
 - Claimant with child/children under 6
 - Other vulnerable groups including, disabled, Carers and claimants in receipt of a relevant disability benefit including receipt of a war pension.

A Council Tax Discretionary Hardship fund is in place to assist those who are affected by the scheme and experience difficulties in paying. This Hardship fund is financed entirely by the Council

Key Findings from the Operation of the Council Tax Support Scheme in 2016/17

The Council Tax Support Scheme for Birmingham which was launched on the 1st April 2013, provides a system of financial support to those people in greatest need whilst also minimising the impact of the significant reduction in funding from central Government on the Council's finances.

The key principles of the scheme are set out above and this section provides some information in relation to how the scheme is operating during its fourth year.

Caseload Analysis

Prior to the introduction of the new council tax support scheme there were 136,400 claimants in receipt of Council Tax Benefit. The split between pensionable age claimants and working age claimants was 51,403 and 84,997 respectively.

Statistics show that the total caseload has been decreasing since 2013, as follows

- 131,852 at August 2014 (Pensioner 47,185, Working Age 84,667)
- 129,039 at August 2015 (Pensioner 44,792, Working Age 84,246)
- 126,891 at August 2016 (Pensioner 42,999, Working Age 83,892)

The split between pensionable age claimants and working age claimants is currently 42,999 Pensioners and 83,892 Working Age respectively. The majority of the reduced caseload has been pension age, which has reduced by 16% over the last four years. (8,404 claims)

Appendix 1

The national trend for Pensioner claims shows that 43% of Pension claims are from the male population, and 57% are from the Female population, as the female pension age rises. The Department of Work and Pensions report that claimants of Pension Credit are falling (167,000 reduction in claims since 2014). The eligible age for claiming Pension Credit is directly related to the age you can claim Pension Credit, and age the pension age for women has been increasing. The Department of Works and Pensions also confirm that the number of claimants for State Pension is only increasing by 5000 per year, in comparison to the 167,000 reduction in Pension Claims since 2014.

The working age caseload has remained fairly static, with an overall 1.3% reduction. (1105 claims). The Office of National Statistics report (issued August 2016), confirms that the Working Age client group has been decreasing over time. Nationally there has been a steady fall to just less than 1 million by August 2014, the last date it was reported. The Birmingham case load as detailed above mirrors this trend.

From the table below, information as at August 2016 confirms that there are 126,891 claims in receipt of a discount within the Council Tax Support Scheme, of which 34% are pensionable age claimants and 66% working age claimants.

The Council Tax Support caseload continues to show a slight decrease year on year. For the period August 2016 there is a decrease of 1.66% in comparison to 2.1% at the same time in August 2015.

There are 83,892 claims in respect of working age claimants. Reductions have been seen in the categories of working age not in employment (2,774 claims) and claimants with child/children under 6 (709 claims).

The overall total of these reductions is 3,483 claims. In contrast other working age categories have shown increases, vulnerable groups have risen by 2,491 claims and working age in employment have increased by 630 claims. The total number of increases seen in these areas is 3,121 claims.

The net difference is a 354 overall reduction in the number of working age claimants receiving assistance through the council tax support scheme.

For the Pensioners category there has been an overall reduction of 1,793 (4%) claims seen in the last twelve months.

Appendix 1

| | Aug-14 | Aug-15 | Aug 15 % Change | Aug-16 | Aug 16 % Change |
|--------------------------------------|----------------|----------------|-----------------------|----------------|-----------------------|
| Claimant with Child under 6 | 19,980 | 19,237 | -3.70% | 18,528 | -3.70% |
| Pensioner | 47,185 | 44,792 | -5.10% | 42,999 | -4.00% |
| Vulnerable Category | 24,270 | 27,719 | 14.20% | 30,218 | 9.02% |
| Working Age in Employment | 10,628 | 11,183 | 5.20% | 11,813 | 5.63% |
| Working Age not in Employment | 29,789 | 26,107 | -12.40% | 23,333 | -13.14% |
| Total | 131,852 | 129,038 | -2.10% | 126,891 | -1.66% |

August 2015 - August 2016 summary changes:

- There was a reduction of 3.7% in the number of claimants with child/children under the age of 6 in receipt of a council tax support.
- For Pensioners, there has been a 4% reduction in the number of claims in receipt of council support, compared to 5.1% in previous year.
- For the Vulnerable groups (including, disabled, Carers and claimants in receipt of a relevant disability benefit including receipt of a war pension), there has been an increase of 9.02% , lower than in the previous year where there was an increase was 14.2%.
- For the Working Age in Employment category, there was a 5.63% increase up from 5.2% in the previous 12 month period.
- For the category Working Age not in Employment, there was an increase of 13.14% in comparison to 12.4%, at the same point the year before.

Some of the reductions seen in the Council Tax Scheme caseload can be attributed to the introduction of Real Time Information (RTI) files received from the Department for Work & Pensions (DWP) / Her Majesty Revenues & Customs (HMRC). This is monthly data sent to the Benefit Service in regards to changes in claimants' both Working Age and Pension Age (earned income, tax credits, and occupational pensions), which result in reductions to Council Tax Scheme entitlement in most cases, and in some instances means there is no longer an entitlement to an ongoing CTS discount.

For the period August 2015, RTI cases were impacting council tax support discounts in working age and pensioner categories and we have seen entitlement in that period reducing at a much higher rate compared to August 2016 where the impact has been less per claim.

The reduction in pensioner claims appears to follow the Government's predicted forecasts that claims for pensioners are set to reduce as the national retirement age increases. National trends for other benefits confirms there is an increase in the

Appendix 1

female state pension age, which is also the age at which people become eligible for Pension credit . (DWP National statistics published 17 Aug 2016)

The reduction cannot be attributed to the Birmingham scheme design as the scheme follows the prescribed regulations to protect pensioners at up to 100% of council tax liability and as such they are excluded from the 80% maximum discount for working age claimants not in a protected category.

Of the 66% of working age customers, 38% fall in the protected/vulnerable category and 28% of claims are for working age non protected customers and as such can only claim up to a maximum of 80% of their Council Tax liability.

The most notable change is in the vulnerable category in 2015/16. Whilst the increase in the category was less than the previous year, there has been movement of 2,500 claimants that are now receiving relevant disability or carer benefits. The Department for Work and Pensions National Statistics (source Quarterly Benefits Summary – Great Britain Statistics to February 2016, publish 17th August 2016) indicate that there has been a national trend for increases in Personal Independent Payments and Carer's allowances. Whilst there have also been decreases in employment support allowances/incapacity benefits and in disability living allowance payments, overall payments have increased amongst these claimant group. Birmingham trends reflect this.

The speed of processing of new claims for Council Tax Support is being delivered inline with the target of an average of 25 days overall but with 100% being paid within 10 days if all necessary information is available.

Discretionary Hardship Fund

Birmingham City Council established the Council Tax Support Discretionary Hardship Scheme from 01 April 2013. This is a limited fund that is awarded to claimants affected by the Council Tax Support scheme, particularly those not in a protected category and as such are now liable to pay the minimum of 20%, who are experiencing extreme financial difficulty.

The fund was agreed at £500,000 in 2015/16, and the total awards made amounted to £347,987.

The fund agreed for 2016/17 is £250,000, and take up as at August 2016 is £107,557. The demand for this fund has been reducing year on year and the fund appears to be set at the appropriate level to meet need. Therefore the recommendation is to not make further reductions at this point.

Review of the Equality Assessment

An Equality Assessment (EA) commenced in May 2012 as part of the development of the CTS scheme for Birmingham. The EA was refined throughout the development of the scheme taking account of feedback from the formal consultation exercise. The EA set out the following aims and objectives to ensure that the scheme has due regard to the Council's duties to its equalities and diversity responsibilities.

Appendix 1

- To provide a localised Council Tax Support scheme for Birmingham
- To provide a scheme that helps the most vulnerable with financial assistance towards their council tax liability.
- A scheme that provides support for vulnerable people and pensioners but also provides an incentive to encourage people to obtain employment.

The EA has been revisited and the fourth year scheme review suggests that the Council Tax Support Scheme continues to meet our original objectives of protecting the most vulnerable. There have been no disproportionate or detrimental effects on any of the protected characteristic groups, the details of which are captured as part of the formal CTS EA review (attached to this report as Appendix 1).

Key Implications and Issues

This section provides some key implications and issues to be considered regarding any proposal to revise the current scheme.

Funding

Government funding to the Council for the Council Tax Support scheme is now part of the Settlement Funding Assessment.

The latest financial monitoring shows that the Council is operating within current resource forecasts

As such any changes to the current scheme design will need to be modelled within the context of the budget setting process and considered alongside the City's spending plans and the proposed savings programme.

Welfare Reform

In July 2015 the Government delivered its spending plan budget which introduced further welfare reforms.

From April 2016 a number of key changes affected the administration and budget of Council Tax Support.

In response, a report was commissioned by Birmingham City Council undertaken by Policy in Practice. This examined the impacts of the Welfare Reforms on claimants in Birmingham. It identified the cumulative impacts of the reforms to date, low income working – age households in Birmingham have seen their incomes fall by an average of £9.73 per week due to deficit-reducing welfare reforms (under occupation charge, benefit cap, Local Housing Allowances cap), and this may rise to an average of £18.44 per week with further reforms to the benefit cap and work incentives in tax credits planned in 2016.

The precise impact of the remaining reforms will not be known until the changes are fully rolled out in Birmingham. The Benefit Cap changes are due to impact claimants, between November 2016 and March 2017.

The Birmingham scheme allows the council scope to uprate or not all premiums and allowances used in the calculation of Council Tax Support independently of national working age benefits.

Government Review

The Local Government Finance Act 2012 placed a requirement on the Government to conduct an independent review of all local Council Tax support schemes within three years of the Act taking effect.

This review was conducted by Eric Ollerenshaw OBE (Birmingham were involved in discussion groups a part of this review) and the report was published in March 2016. This report makes a number of recommendations for the Government and Councils.

The headline findings of the report called for the Government to give councils a wider range of freedoms, specifically, greater control over the Single Person Discount and to remove protections for pensioners. The findings said that this would “improve a council’s ability to both manage financial risk and provide targeted support to local residents in need”. This would allow the Council to fundamentally redesign council tax discounts and present an opportunity to generate savings and distribute the impact of central government funding reductions more evenly.

In evidence to the Committee of Public Accounts the Department for Communities and Local Government it was reported that the review would examine “the effectiveness and efficiency of the scheme, its impact in terms of localism, and the relationship with Universal Credit.” However, since this report was published, the Department of Work and Pensions has confirmed that the roll out of Universal Credit will continue to be rolled out to Local Authorities on a phased basis, with an expectation to be fully operational by 2022.

Consultation

The Local Government Finance Act 2012 specifies that before any change to or introduction of a new scheme, the billing authority must in the following order:

- Consult as part of the design stage with any major precepting authority which has power to issue a precept to it
- Publish a draft scheme in such manner as it thinks fit, and
- Consult such other persons it considers are likely to have an interest in the operation of the scheme

Birmingham City Council will also have to re-consult with the public and any relevant stakeholders on the redesign of its local Council Tax Support scheme. Consultation would ideally need to run for a 12 week period.

The Council Tax Support Scheme 2017/18

Schedule 4 of the Local Government Finance Act 2012 requires each Billing Authority to consider whether to revise the scheme or replace it with another scheme for each financial year. Any revision or replacement must be made no later than the 31st January in the financial year preceding that for which revision or replacement is due to have effect. It is therefore necessary to give due consideration as to any revisions or replacement of the current scheme.

This report outlines some of the key findings from the Birmingham Council Tax Support scheme during its fourth year in operation. The scheme has continued to be effective in providing a system of financial support to those people in greatest need whilst also minimising the impact of the significant reduction in funding from central Government on the Council's finances.

The Equality Assessment has been revisited and demonstrates that there has been no disproportionate or detrimental effect on any of the protected characteristic groups.

Funding for Council Tax Support forms part of the overall Settlement Funding Assessment (SFA) As Government funding for Council Tax Support will not be increased, any reduction in council tax income because of the Government's budget changes will need to be met by the Council.

There are a number of factors which have been outlined in the report which need to be considered as part of the decision for the future of the scheme most notably the impacts of planned welfare reforms on the Council Tax Support budget.

It is difficult at this stage to gauge how much the cost of the scheme will increase. In fact any savings possibly identified by making minor adjustments to the scheme are likely to be outweighed by the cost and risk of rushing through changes without appropriate time to scope new schemes, conduct data analysis, complete financial modelling, develop IT systems, equality assess and consult on by 31 January 2017.

The Council will consider the appropriate level of funding for the Council Tax Discretionary Hardship Fund to help those suffering undue hardship as part of the overall budget setting process.

A more fundamental review of the scheme was considered during 2016/17, and the recommendation of Eric Ollerenshaw OBE was:-

“You will see that my report states that local government has effectively implemented the council tax support schemes, despite difficult circumstances. However, there remain some barriers which prevent schemes from fully meeting Government policy objectives. Many of these are within the control of Government, and I recommend that you correct them.

Government should also consider providing councils with a much wider range of freedoms, so that Local Council Tax Support schemes can be truly local. Devolving at least part of the prescribed scheme for pensioners, and the single

person discount, could significantly improve a council's ability to both manage financial risk and provide targeted support to local residents in need."

As a result of these recommendations, before any changes to the current scheme are considered, the Council should wait for the Government response to the review of the Council Tax Support scheme as there may be a possibility that Local Authorities will be given greater power to manage the amounts of Single Person Discounts and Pensioner reductions given. This would allow the Council to fundamentally redesign council tax discounts and present an opportunity to generate savings and distribute the impact of central government funding reductions more evenly.

Recommendations

Having carried out the internal review on Birmingham's current Council Tax Support scheme it is recommended that no revision or replacement is required for 2017/18 and that the current scheme should continue for the next financial year notwithstanding any prescribed changes set by Government and/or annual uprating.

The Council should explore any future Council Tax Support scheme redesign, assess the impacts of ongoing welfare reforms, including roll out of Universal Credit and the results of the Government's response to the recommendations made as part of the Council Tax Support scheme review.

The Council can then understand the total, cumulative effect that these reforms have on its finances and the citizens of Birmingham, as and when the effects and details are more widely known.