

## **Review of Birmingham's Council Tax Support Scheme 2015/16**

### **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 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.

This is a review of the third year of the Scheme and to consider whether any revisions to the current scheme are necessary for 2016/17 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 is revisited taking account of the third 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 at 100% of their council tax liability subject to their income and circumstances.
- The Birmingham scheme incorporates protection for vulnerable groups as follows:
  - Disabled claimants
  - Claimants with young families
  - Carers and claimants in 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 2015/16**

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 third year.

### **Caseload Analysis**

As at August 2015 there are 129,038 claims in receipt of a discount within the Council Tax Support Scheme which is made up of approximately 35% pensionable age claimants and 65% working age claimants. The Council Tax Support caseload continues to show a slight decrease year on year.

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

Current statistics show that the caseload has reduced by 7,362 cases. The split between pensionable age claimants and working age claimants is 44,792 and 84,246 respectively. The majority of the reduced caseload is therefore pension age whereas the working age caseload has remained fairly static.

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.

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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.

Further to this, a reduction in CTS caseload could 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 income, tax credits etc, which results in a reduction in CTS entitlement in most cases and in some instances means there is no longer an entitlement to an ongoing CTS discount.

Of the 65% of working age customers, 37% 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.

29,745 new CTS claims were received in 2014/2015, broadly similar to the number of new claims received under the previous Council Tax Benefit scheme. This would indicate that the CTS scheme is as accessible to Birmingham citizens as Council Tax Benefit.

The speed of processing of new claims for Council Tax Support is being delivered inline with the target of an average of 21 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 £0.5million in 2015/16. The total awards of Council Tax Discretionary Hardship in 2014/15 was £79, 981.31.

There has been a significant increase in the take up of the fund in the current year when compared to the previous year as £158,351 has already been awarded between April 2015 and September 2015.

This is reflective of the targeted initiatives work that has been undertaken to increase awareness and take up of this fund.

### **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.

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- 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 third 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 introduces further welfare reforms.

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

The precise impact of any of the reforms is difficult to model in terms of the CTS scheme at this time. These reforms are included in the Welfare Reform and Work Bill which is currently progressing through the various Parliamentary stages.

A key consideration of the Birmingham scheme for 2016/17 is whether or not to uprate the allowances used to calculate Council Tax Support. The announcement that all working age benefits will be frozen for a period of four years from April 2016 was made as part of the Summer Budget.

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

In previous years the Birmingham scheme has uprated allowances and premiums in line with DWP uprating of national working age benefits. For the financial year 2015/16 these allowances and premiums were uprated by 1% in line with other working age benefits.

The impact of uprating these allowance and premiums is likely to be an additional £0.5million in Council Tax Support awards for the whole of the financial year 2016/17.

### **Government Review**

The Local Government Finance Act 2012 places 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 will now be completed by March 2016 and a timetable and terms of reference in respect of the Government's formal review will be made available in due course.

In evidence to the Committee of Public Accounts the Department for Communities and Local Government reported that the review will examine "the effectiveness and efficiency of the scheme, its impact in terms of localism, and the relationship with Universal Credit."

### **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 2016/17**

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 third year in operation. The scheme has continued to be

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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 EA has been revisited which demonstrates that there has been no disproportionate or detrimental effects on any of the protected characteristic groups.

Funding for CTS forms part of the overall Settlement Funding Assessment (SFA) . As Government funding for CTS 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 reform on the CTS budget.

It is difficult at this stage to gauge how much the cost of the scheme will increase following the budget changes announced. 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, financial modelling, develop IT systems, equality assess and consult on by 31 January 2016.

The Council should consider retaining the current funding levels for the Council Tax Discretionary Hardship Fund to help those suffering undue hardship meet their Council Tax liability. This is especially important given the Government's proposed welfare changes for 2016 and 2017 as detailed above.

Retaining the current scheme for Birmingham until the results of the Government review of Council Tax Support are known in 2016/2017 and when more information is known about the Universal Credit and further Welfare Reform timetable may be the best way to assist Birmingham City Council design a better overall scheme as a result.

### **Recommendation**

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 2016/17 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 in detail future CTS scheme redesign, to impact assess the recent reforms, Universal Credit and the results of the Government CTS review so that the Council can understand the total, cumulative effect that these reforms have across the City as and when the effects and details are more widely known.

