

Report to Corporate Resources Overview and Scrutiny Committee
21st October 2015

The Birmingham Council Tax Support Scheme Review 2015

1. Introduction

- 1.1. The Council Tax Support Scheme (CTS) was implemented in April 2013. The scheme is administered by Birmingham City Council and is funded as part of the Council Tax base calculation.
- 1.2. The Council calculates the Council Tax Base each year including the impact of Council Tax Support as part of the overall budget setting process
- 1.3. The Council approved the current scheme to continue unchanged at full Council in January 2014 and again in January 2015.
- 1.4. This report provides key information in relation to the latest review of the current scheme and outlines considerations for the scheme in 2016/2017, subject to full Council approval which must be gained by 31 January 2016.

2. Background

- 2.1. The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit with effect from 1 April 2013 and its replacement as set out in the Local Government Finance Act 2012 with local schemes of Council Tax Support to be designed and administered by local authorities.
- 2.2. The funding for a localised Council Tax Support scheme was accompanied by a 10% reduction in what had previously been provided for Council Tax Benefit expenditure.
- 2.3. The current Council Tax Support Scheme in Birmingham was designed and formally consulted upon during 2012. The scheme was formally adopted at a meeting of Full Council in January 2013. The Scheme commenced on 1 April 2013.
- 2.4. A third formal review of the Council Tax Support Scheme has been undertaken and is attached to this report as Appendix 1.
- 2.5. The Equality Assessment has also been revisited and updated accordingly taking account of the third year of the operation of the Scheme and is also attached to this report as Appendix 2.

3. Summary of the Current Scheme

3.1. Council Tax Support

- 3.1.1 The former system of Council Tax Benefit (CTB) was a national welfare benefit delivered by local authorities on behalf of the Department of Work and Pensions (DWP).
- 3.1.2 Entitlement to CTB was based on a means test and awards directly rebated against an individual's Council Tax liability, leaving a 'net amount payable'.
- 3.1.3 Maximum CTB was payable up to 100% of Council Tax liability for claimants dependent upon their income and circumstances.
- 3.1.4 The local Council Tax Support scheme implemented in Birmingham is based on a means tested discount, awarded to people on low incomes.
- 3.1.5 The key features of the Birmingham scheme are as follows:
 - people of working-age (unless in one of the protected categories – see below) have their Council Tax Support assessment set at a maximum of 80% of their council tax liability
 - vulnerable claimants will receive protection.
- 3.1.6 The maximum level of Council Tax Support in the Birmingham scheme is 100% of Council Tax liability for pensioners and claimants in a protected category (listed below). Claimants of working age are required to make a contribution of at least 20% towards their Council Tax bill. This may be more than 20% dependant upon their circumstances.
- 3.1.7 As Council Tax Support is calculated as a means tested discount, the amount each household has to pay towards their Council Tax bill is dependent on their individual income and circumstances.
- 3.1.8 The Scheme has built in protection for the most vulnerable groups in line with the public sector Equality Duty (The Equality Act 2010), the duty to mitigate the effects of child poverty (The Child Poverty Act 2010) and the duty to prevent homelessness (The Housing Act 1996). Pensioners are also protected under the requirements of the legislation.
- 3.1.9 The protection for the following vulnerable groups means that these claimants will continue to have their entitlement to Council Tax Support calculated based on 100% of their Council Tax liability as opposed to the 80% for working age claimants not included in a protected category:
 - A claimant or their partner who is a pensioner (as prescribed by Government)

- A claimant or their partner who is entitled to a disability premium or disabled child premium
- A claimant or partner who is entitled to Employment Support Allowance and who also receives a qualifying disability related benefit
- A claimant or their partner who receives a carers premium
- A claimant or their partner who receives a war disablement pension, war widows pension or war widower's pension
- A claimant or their partner who has a dependant child under 6

3.2. Discretionary Hardship Fund

- 3.2.1 Birmingham City Council established the Council Tax Support Discretionary Hardship Fund from 01 April 2013. This is a limited fund that is designed to assist claimants affected by the Council Tax Support scheme, who are experiencing extreme financial difficulty. The fund amounts to £500,000 in the current year of the scheme.
- 3.2.2 The total amount of awards from the Council Tax Discretionary Hardship fund in 2014/2015 amounted to £79,981.31.
- 3.2.3 Work has been undertaken to increase take up of this fund and this includes improved promotion of the scheme and developing proactive initiatives to ensure that the fund is utilised by those who need it most.
- 3.2.4 As at 30th September 2015 £158,351 has been awarded to claimants in respect of Council Tax Discretionary Hardship Funds. It is likely that further initiatives being considered will continue to increase spend in this year and this will be carried out in line with the needs of individuals suffering hardship.
- 3.2.5 This fund is separate to and distinct from Discretionary Housing Payments where the city receives a grant from Central Government to assist claimants in receipt of Housing Benefit. The Discretionary Hardship Fund for Council Tax Support is funded by the city.

4. **Key Features of Council Tax Support for Birmingham in Year Three**

- 4.1.1 The key principles of the Council Tax Support Scheme for Birmingham aims to provide a system of financial support to those people in greatest need.
- 4.1.2 The next section provides more detailed information in relation to how the scheme has operated during the current year.

5. **Caseload Analysis**

- 5.1.1 A total of 129,038 citizens were in receipt of a council tax support discount as at August 2015. This shows a 2.1% reduction when compared to the scheme in August 2014.
- 5.1.2 There is no clear evidence as to why the CTS caseload and corresponding expenditure has reduced. However the Equality Assessment has highlighted that 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.
- 5.1.3 Current statistics show that the overall caseload has reduced by 7,362 cases since it was introduced in April 2013. The split between pensionable age claimants and working age claimants is now 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.
- 5.1.4 Part of the overall reduction in the caseload is attributable to a recent initiative introduced by Government called the Real Time Indicator (RTI). The aim of this is to reduce fraud and error in the benefits system. Monthly files are matched against the latest HMRC data for both earnings and tax credits and any discrepancies are reported to the local authority to adjust the Housing Benefit and Council Tax Support claims accordingly.
- 5.1.5 The pensioner category is prescribed by regulation and as such Birmingham has no control over this aspect of the scheme, the reduction in the total number of pensioner claims and the associated expenditure will be taken account of during the setting of the Council Tax for 2016/17.
- 5.1.6 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. 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 dependent upon their income and circumstances and as such they are excluded from the 80% maximum discount for working age claimants not in a protected category.
- 5.1.7 The following table shows a breakdown of the caseload by claimant category with a comparison of each category with the caseload as at August 2014 and August 2015.

	Aug-14	Aug-15	Aug 14 - Aug 15 % Change
Claimant with Child under 6	19,980	19,237	-3.7%
Pensioner	47,185	44,792	-5.1%
Vulnerable Category	24,270	27,719	14.2%
Working Age in Employment	10,628	11,183	5.2%
Working Age not in Employment	29,789	26,107	-12.4%
Total	131,852	129,038	-2.1%

5.1.8 As can be seen from the above the most significant decrease in the claimant categories since the scheme began is in the working age not in employment group. This group encompasses claimants in receipt of out of work benefits and has seen an overall reduction in numbers equating to 12.4% between August 2014 and August 2015.

5.1.9 It is interesting to note the corresponding increase in the caseload category for working age employed. This group encompasses claimants that are working 16 or more hours a week. There has been an overall increase in numbers equating to 5.2% by August 2015 and this may be due to some of those claimants previously falling within the working age not in employment category have found some form of employment or increased their hours thus now falling into this category

5.1.10 The remaining category increase is that for vulnerable claimants, being those entitled to a disability benefit, carers and claimants in receipt of a war pension. This category increased by 14.2% by August 2015. This may be due to some claimants previously falling within the working age not in employment category now declaring a 'relevant' disability or carers benefit thus now falling into this category.

6. Council Tax Collection 2014/2015

- 6.1 The introduction of Council Tax Support in April 2013 saw the requirement to collect Council Tax from some households for the first time that previously were not accustomed to paying a Council Tax bill.
- 6.2 There is a 3 year collection target of 80% set against council tax charges for people in receipt of Council Tax Support.
- 6.3 Collection of council tax from citizens who now have an amount to pay since the introduction of the Birmingham scheme is on target in the medium term to meet the overall 80% collection rate within 3 years.

7. Review of the Equality Assessment

- 7.1 An Equality Assessment (EA) commenced in May 2012 as part of the development of the Council Tax Support scheme for Birmingham. The EA was updated and refined throughout the development of the scheme taking account of feedback from the formal consultation exercise.
- 7.2 The EA set out the following aims and objectives to ensure that the scheme gave due regard to the Council's equalities and diversity responsibilities:
 - 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.
 - The implementation of a scheme that provides support for vulnerable people and pensioners but also provides an incentive to encourage people to obtain employment.
- 7.2.1 As part of the formal review of year 3 of the scheme the EA has been revisited to ensure that the Council Tax Support Scheme continues to meet our original objectives of protecting the most vulnerable. Attached at Appendix 2, the findings suggest that there are no disproportionate or detrimental impacts on any of the protected characteristic groups.

8 Key Implications and Issues in 2016/17

8.1 Funding

- 8.1.1 Funding for Council Tax Support scheme is contained within Birmingham City Council's Settlement Funding Assessment (SFA).
- 8.1.2 The CTS caseload has decreased slightly year on year. Based on the latest financial modelling the Council is operating within the current resource forecasts.

- 8.1.3 Any changes to the current scheme design for future years must be financially modelled within the context of the budget setting process and considered alongside the City's spending plans and the proposed savings programme.

8.2 Welfare Reform

- 8.2.1 As part of the Summer Budget in July 2015, the Government announced that the eligibility criteria for the national system of tax credits is due to be altered with effect from April 2016. Any reduction in tax credits may have a direct impact on the Council Tax Support Scheme as household incomes will be reduced as a result. The precise impacts of these changes on the CTS scheme are difficult to model at this time. These changes are an element of the Welfare Reform and Work Bill currently progressing through the Parliamentary process. .
- 8.2.2 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.
- 8.2.3 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.
- 8.2.4 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.
- 8.2.5 The impact of uprating these allowance and premiums by 1% for 2016/17 is likely to be an additional £0.5million in Council Tax Support awards for the whole of the financial year 2016/17.

8.3 Government Review of CTS

- 8.3.1 The Local Government Finance Act 2012 places a requirement on the Government to conduct an independent national review of all local Council Tax Support schemes within three years of the Act taking effect. This is now expected to take place 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.

8.4 Public Sector Equality Duty

- 8.4.1 The City Council must have due regard to the Public Sector Equality Duty under the Equality Act 2010. As part of any Council Tax Support Scheme, the Government has prescribed that pensioners shall be protected, and that Local Authorities ought to consider protection of other vulnerable categories of claimant. The Council Tax Support scheme for Birmingham maintains a high level of protection for vulnerable claimants.
- 8.4.2 A full Equality Assessment of the current Council Tax Support Scheme has been carried out alongside public consultation. This Equality Assessment has been reviewed annually and demonstrates that there are no apparent detrimental impacts on those in the protected characteristic groups.

8.5 Consultation

- 8.5.1 The Local Government Finance Act 2012 specifies that before a new scheme or a change to a current scheme is adopted, 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 a manner as it thinks fit, and
 - Consult such other persons it considers are likely to have an interest in the operation of the scheme

8.6 Timeline

- 8.6.1 In order to comply with the relevant legislation local authorities must have their local Council Tax Support Schemes formally reviewed on an annual basis and the outcome of this review including a review and refresh of the necessary Equality Assessment must inform any proposals to alter the scheme for the following year.
- 8.6.2 The Council Tax Support Scheme for 2016/17 must be formally adopted by the City Council before 31st January 2016, which is prescribed in legislation.
- 8.6.3 Should there be any proposal to alter the scheme then there is a statutory requirement to formally consult and any such consultation must be meaningful.
- 8.6.4 The resulting findings from the consultation exercise must then be fully analysed and accounted for in the final design proposals for the

scheme and this needs to be made public and form part of the decision making process.

8.6.5 Technology developments to support any changes to the current scheme will require scoping, development, testing, and in general can take up to 6 months to deliver.

8.6.6 Any considerations in respect of a revised scheme will need to align itself with the intended next phase of Welfare Reform and Universal Credit roll out.

9 Summary

9.1 This report provides information in respect of the current Council Tax Support scheme for Birmingham and some of the significant issues likely to impact on the future of the scheme are summarised here.

9.2 The Government's formal review of Council Tax Support Schemes nationally is expected to be completed by March 2016.

9.3 The introduction of further Welfare Reform changes during 2016 following the Summer Budget may impact on future design of the Council Tax Support scheme design for Birmingham.

9.4 It is difficult at this stage to accurately forecast what the future impacts will be on the CTS scheme following the recent welfare changes announced in the Summer Budget

9.5 Birmingham City Council's current CTS scheme continues to be effective in providing a system of financial support to those people in greatest need. Based on the latest financial modelling the Council is operating within the current resource forecasts.

9.6 The Council will consider what the appropriate level of future funding will be in respect of the Council Tax Discretionary Hardship Fund as part of the budget setting process and based on the available evidence in respect of the level of awards in current and previous years.

9.7 No areas of concern with scheme design, operation or administration have been highlighted as part of the formal review and the Equality Assessment has been revisited which demonstrates that there has been no disproportionate or detrimental effects on any of the protected characteristic groups.

9.8 Retaining the current scheme for Birmingham until the outcome of the Government review of Council Tax Support schemes is known may

assist Birmingham City Council in the consideration of any long term future redesign.

- 9.9 Further consideration of a more fundamental redesign of the current scheme will take place during 2016/17 in readiness for the following year, when more detailed information emerges from the upcoming welfare reform changes.

10 Recommendation

- 10.1 That this report is noted.