

TRAFFORD COUNCIL

Report to: Scrutiny Committee
Date: 11 December 2013
Report for: Information
Report of: Executive Member for Finance and the Director of Finance

Report Title

Local Council Tax Support Scheme – progress report

Executive Summary

Trafford's Local Council Tax Support Scheme was approved by full Council in January 2013 and rolled out to all new and existing (Council Tax Benefit) claims from April 2013.

This report provides members with an update on progress to date including:

- Caseload changes;
- Expenditure;
- Council Tax collection / recovery;
- The new discretionary fund.

Recommendation(s)

That the Scrutiny Committee notes the contents of this report.

Contact person for access to background papers and further information:

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Background Papers: None

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1 Background & Introduction

- 1.1 In April 2013, the Council implemented its new local Council Tax Support (CTS) Scheme, which was designed to reduce expenditure and contribute towards the £1.25m funding gap caused by a reduction in government support. The new scheme was designed following an extensive 12 week consultation and has helped to reduce costs and protect the most vulnerable. This has been achieved by carefully changing a number of specific components of the Government's national default scheme, designing specific protections and introducing new work incentives. A summary of Trafford's scheme can be found in Appendix A.
- 1.2 In April, all residents receiving Council Tax Benefit (CTB) were automatically transferred on to CTS and their awards re-assessed. As the new scheme was designed alongside changes to Council Tax empty property discounts and exemptions, the number of people financially affected was minimised to approximately 3000 residents. Many of these residents were already paying some Council Tax and only a small minority (260) were required to pay Council Tax for the first time. These were mainly people in a band D property (or above) or people living with other adults who were previously not counted because they were on benefits.
- 1.3 This report looks at how the new scheme has affected caseload, expenditure, the discretionary fund and Council Tax collection.

2 Impact on Council Tax

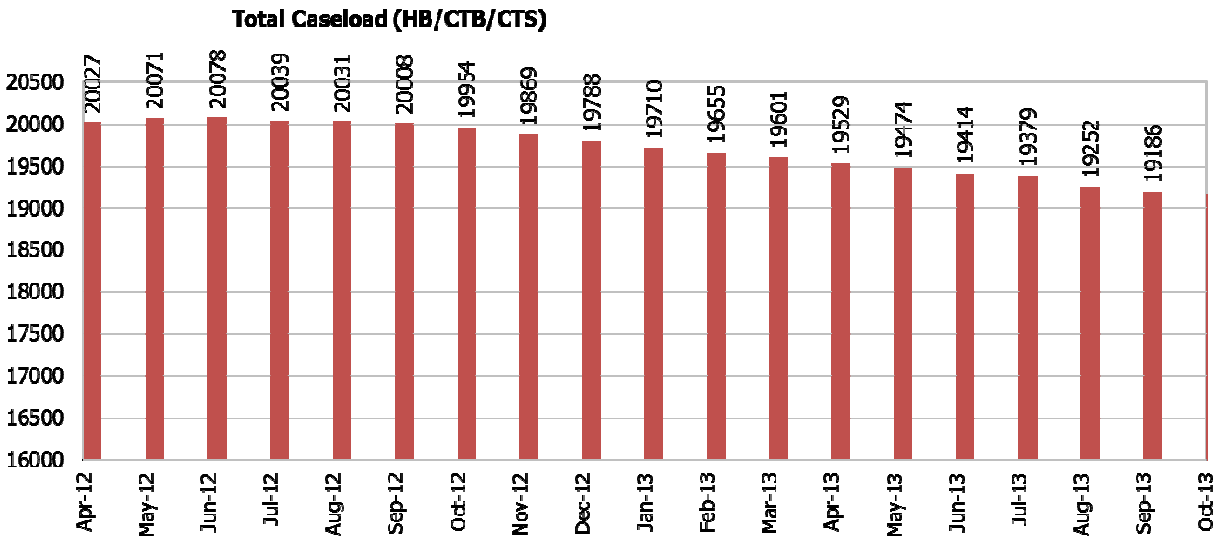
- 2.1 Extra steps were built into the Council Tax recovery process for any household who received CTS but did not qualify for the full amount and therefore have something to pay. Additional reminder notices and a final notice were developed for issue prior to a summons which contained clear information as to the consequence of continued non-payment and also advice where to go for assistance. To date over 3,500 additional notices have been issued.
- 2.2 An investigation of 100 of the additional notices issued in September and October was carried out and detailed findings can be found in the table below. Overall it appears that the policy is effective in assisting those affected understand their liability and helping them avoid summonses being issued and costs incurred.

Paid in full after notice	20
Made contact	48
Arrangement agreed	43
Arrangement up to date	38
Recovery continued beyond notices	32
Arrears exist for other years	31

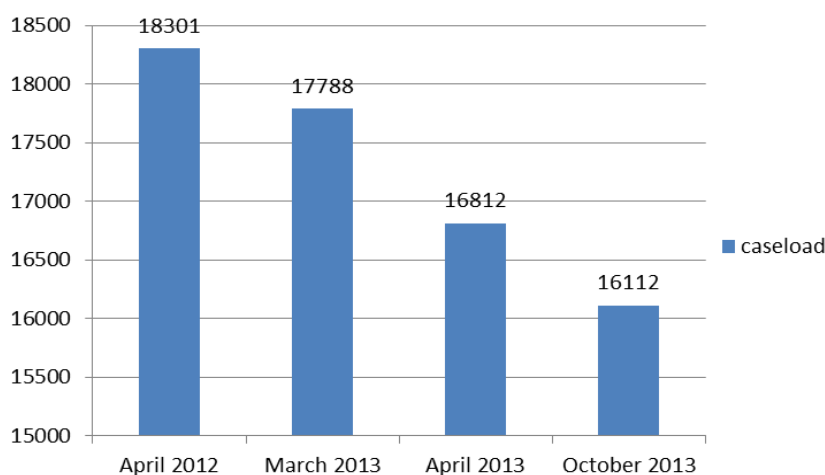
- 2.3 The table shows that approximately 20% pay and almost 50% contacted and made an arrangement. In total, only 32 of the hundred reviewed did not pay and had a summons issued. The majority of these cases have arrears of Council Tax relating to previous years.
- 2.4 Monthly on-going monitoring of the top 50 households affected by the changes since April has taken place. As at 31 October, 31 were completely up to date and 12 had required recovery proceedings. The others were either no longer liable or had partially paid.
- 2.5 Overall Council Tax collection in Trafford remains the highest across the GM Authorities and is in line with our annual target for 2013/14. As at 31 October, collection was 68.26% compared with 68.89% at the same time last year. However, approximately 2,000 households have opted to pay their Council Tax in 12 monthly instalments following regulation changes last year. It is estimated that this has deferred around £400k in payments and accounts for approximately half of the difference between this year and the same time last year.

3 Impact on caseload

- 3.1 The chart below shows the combined caseload figures for Housing Benefit (HB) and CTS (Council Tax Benefit prior to April 2013). The figures show that the introduction of CTS did not noticeably affect the overall caseload and there was no significant drop in caseload. This is because many residents claim both benefits. It is also important to note that the caseload has been reducing gradually on a monthly basis since June 2012 and this trend has continued under CTS.



3.2 The chart below highlights the differences in caseload between the old Council Tax Benefit scheme and the new CTS Scheme. In April 2013, the caseload reduced by just under 1,000 cases, which can mainly be attributed to the introduction of the £5 minimum threshold component of the new scheme i.e. no awards under £5 are paid and the abolition of second adult rebate. This figure is close to our initial estimation of 1,161 cases (991 due to the £5 threshold and 170 due to second adult rebate) which was predicted when designing the scheme.



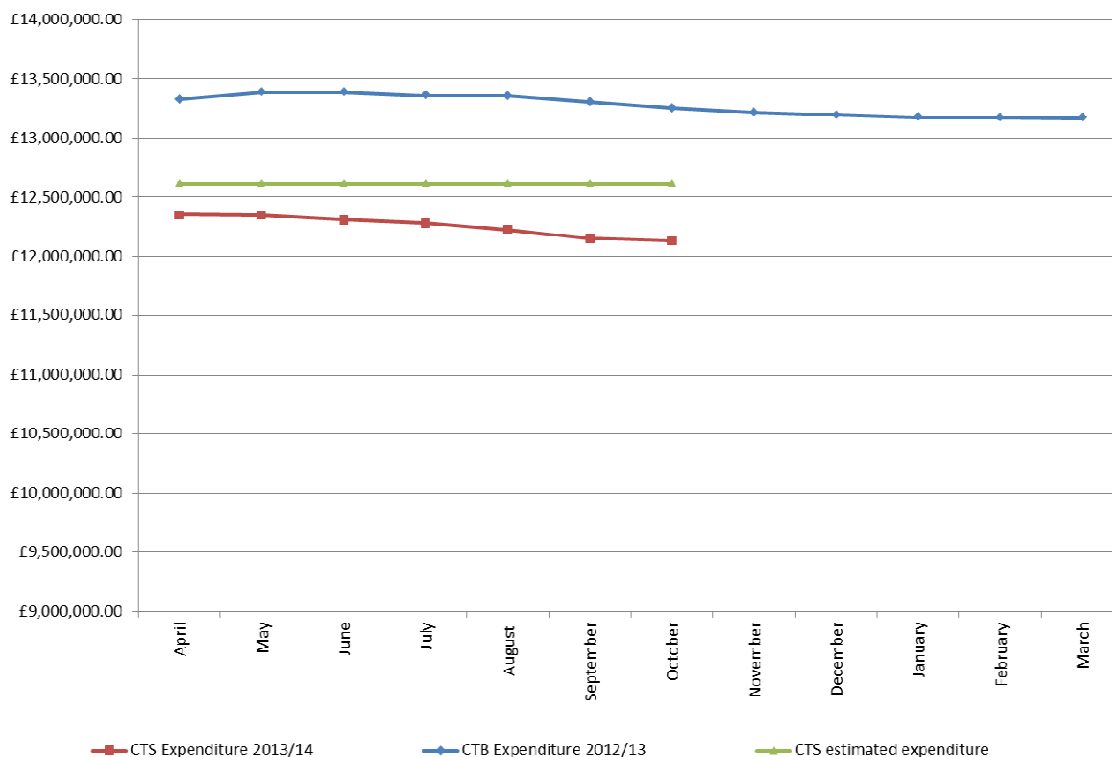
3.3 During this period the pensioner age caseload has also decreased from approx. 8,403 cases in April 2012 to approx. 7,911 in October 2013; a drop of 492 cases (which is 22% of the total caseload reduction). This is in comparison to a working age caseload drop for the same period of 1,697 (78%).

3.4 As pensioners are protected under the CTS scheme, it is likely that this small reduction in pension age caseload can be attributed to the following:

- the overall trend of falling caseload;
- the gradual increase in pension credit age over the same period; and
- Enhancements in software, enabling more accurate pension age data to be produced.

4 Impact on expenditure

4.1 Under CTS the Council receives a fixed grant and is not reimbursed if this is exceeded. The chart below shows that the monthly projected expenditure is below the estimated £12.61m scheme costs. This gap, between the estimated and actual (projected) spend is widening mainly due to a gradual reduction in caseload (which is following a drop in HB as shown in sections 3.1 & 3.2). The blue line at the top of the chart shows the Council Tax Benefit expenditure data in 2012/13 as a comparator.

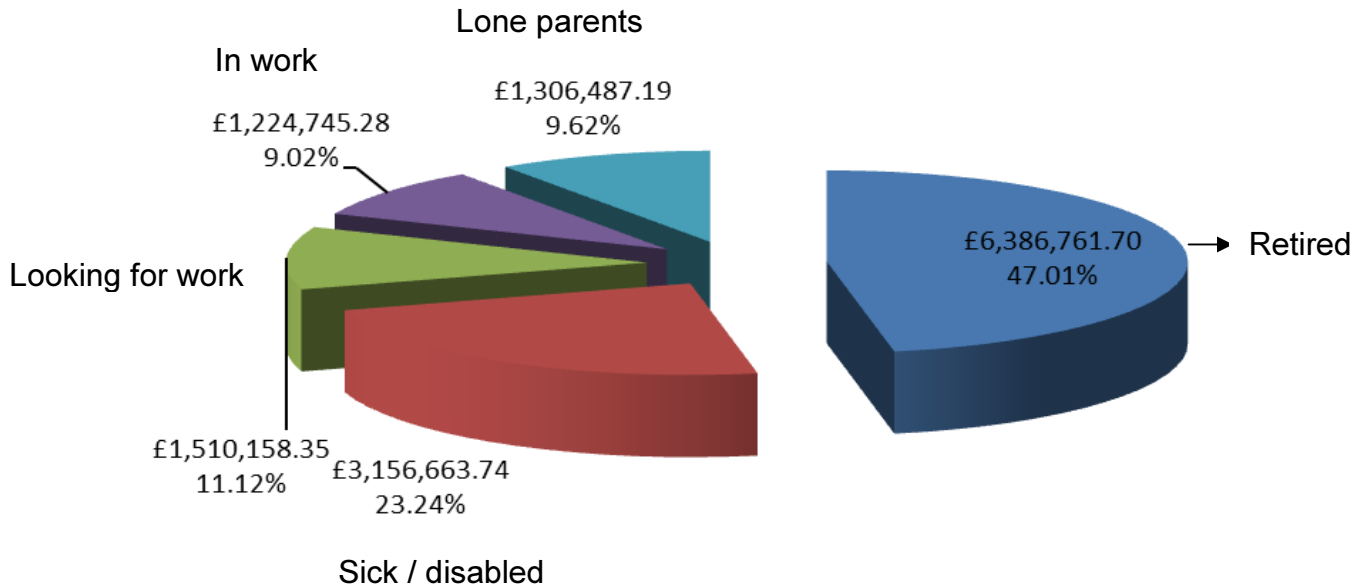


4.2 The chart below shows the gradual reduction in CTS expenditure on a month by month basis from April 2013 to October 2013. These figures are projected for the full financial year.

Month	Amount committed
Apr-13	£12,354,031.63
May-13	£12,348,751.46
Jun-13	£12,308,985.00
Jul-13	£12,280,923.34
Aug-13	£12,226,191.52
Sep-13	£12,150,547.06
Oct-13	£12,132,604.00

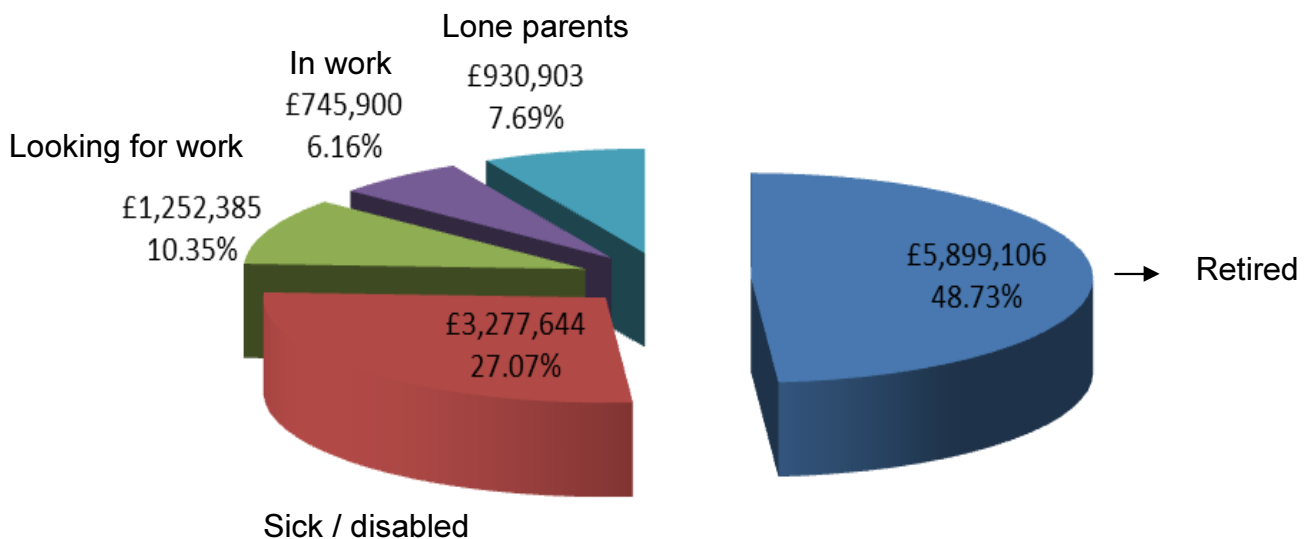
5 Council Tax Benefit - expenditure 2012/13

5.1 The chart below provides a breakdown (April 2012) of Council Tax Benefit expenditure per customer group. This can be compared against the latest CTS expenditure data (See 5.2) for 2013/14.



Total Expenditure = £ 13,584,816 Total caseload = 18,335

5.2 CTS - expenditure 2013/14



Total Expenditure = £12,105,937 Total caseload = 16,112

5.3 Pensioners are fully protected by the new scheme, therefore the reduction in expenditure corresponds directly to a reduction in caseload, which was forecasted by DWP as the stage pension age continues to gradual increase. The disability protection within the new scheme and the fact that many disabled people claim income based Employment and Support Allowance

means that this group has been largely unaffected. The main reductions in expenditure can be seen within the other 3 groupings.

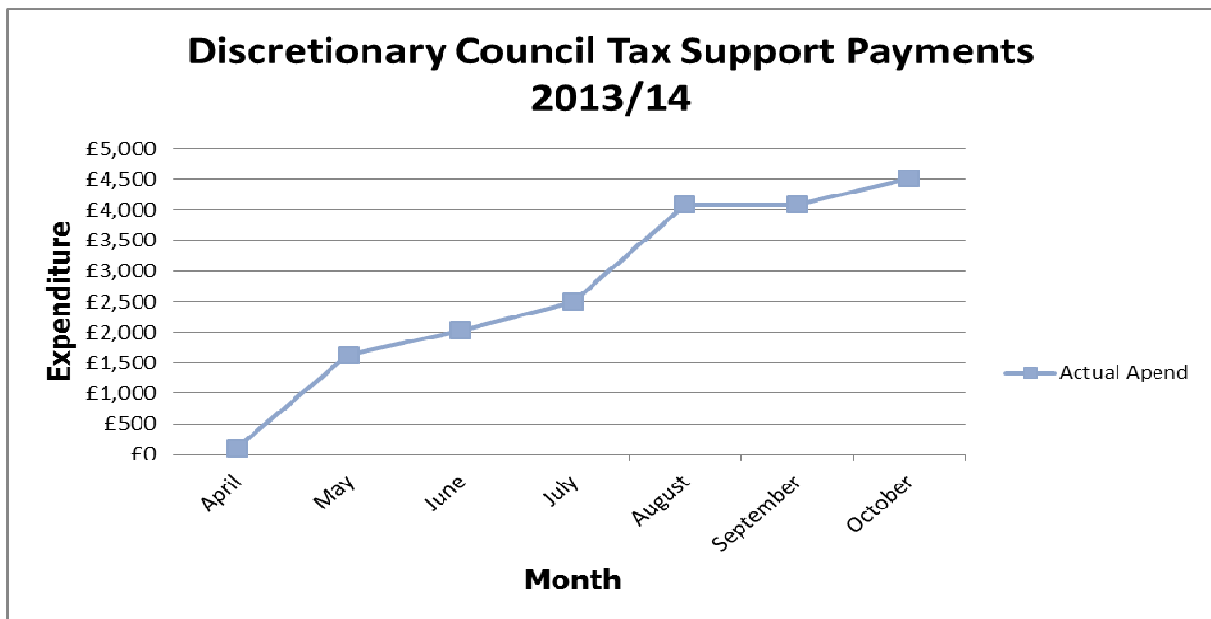
6 Discretionary Payments

6.1 To help with the transition from Council Tax Benefit to CTS, Members agreed that a discretionary fund should be set up to help residents on a case by case basis. A fund of £50k was set aside for this purpose.

6.2 To date, take up has been relatively low despite linking it to Discretionary Housing Payments and Trafford Assist. Officers are currently promoting a take up campaign by actively contacting residents who they feel may be eligible to claim a discretionary CTS award to see if they wish to apply.

6.3 To date the Council has received 64 applications to the discretionary Council Tax Fund, of which 39 (61%) applications were successful. The main reason for refusal was due to an applicant's income exceeding their expenditure, meaning they could afford to contribute towards the shortfall.

6.4 The graph below shows total expenditure to date:



6.5 The chart below shows the underlying reason for the discretionary award. Please note this is higher than the number of successful applications because some people were affected by multiple changes.

Cost Component	Number of applications
(a) Abolish Second Adult Rebate	0
(b) Restrict support to the charge for a Band D property	5
(c) Increase the income taper from 20% to 30%	23
(d) Include Child Benefit as income when calculating entitlement	5
(e) Abolish Backdating	3

(f) Increase the deductions made for other adults living in a property	10
(g) Restrict benefit, so no awards are made under £5 per week	12

7 Conclusion

- 7.1 The information within this report shows that the new CTS Scheme appears to be functioning as planned. Indeed Council Tax collection remains on target; demand for discretionary payments remains low; and notably there have been no appeals to the Valuation Office Agency, against the local CTS scheme.

Appendix A - A Summary of Trafford's Council Tax Support Scheme

Council Tax Support scheme

Cost Components:

- (a) Abolish Second Adult Rebate
- (b) Restrict support to the charge for a Band D property
- (c) Increase the income taper from 20% to 30%
- (d) Include Child Benefit as income when calculating entitlement
- (e) Abolish backdating so all awards are paid from the date of application
- (f) Increase the deductions made for other adults living in a property
- (g) Restrict benefit, so no awards are made under £5 per week

Protections:

- Protect claimants of pension age in line with Government policy.
- Protect claimants and/or their partners who receive the middle or high rate of Disability Living Allowance for Care or Mobility from all the above changes except for component (a) (abolish Second Adult Rebate) and (e) (abolish backdating).
- Protect households who have a dependent child under 5 years old from component (d) (including Child Benefit as income).
- Continue to apply our local discretion to disregard War Pensions and War Widows Pensions as income, when calculating awards of Council Tax Support.
- Set up a discretionary fund to help people in need on a case by case basis.
- Uprate applicable amounts in the calculation of Council Tax Support for 2013/14 in line with the national 1% increase for working age claimants.

Work Incentives:

- Increase Extended Reductions (formally Extended Payments) from 4 weeks to 8 weeks. This entitles some long term unemployed claimants for assistance with their Council Tax bill for up to 8 weeks when they start work.
- Increase child care disregards by 10%, where parents are working and children are in approved child care

Change the Council Tax charges for empty and unfurnished properties and second homes:

- Remove the 100% empty property exemption and replace it with a 100% discount for one month, followed by the full charge;
- Abolish the 10% Second Homes Discount;