

## CABINET

18<sup>TH</sup> JUNE 2015

### REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS

#### PROPOSED LOCAL COUNCIL TAX REDUCTION SCHEME FROM 1<sup>ST</sup> APRIL 2016

#### EXEMPT INFORMATION

This proposal is not exempt information for the purposes of Part 1 of Schedule 12 (A) to the Local Government Act 1972

#### PURPOSE

That Cabinet consider any changes to the 2014 Local Council Tax Reduction Scheme consultation questionnaire (attached **Appendix 4**), to inform the consultation process due to take place between July and September 2015 in relation to the 2016/17 Local Council Tax Reduction Scheme.

#### RECOMMENDATIONS

That Cabinet

- 1) **endorse the attached consultation questionnaire in relation to the 2016/17 scheme and advise on any amendments that they wish to make to the consultation to be undertaken between July and September 2015;**
- 2) **give consideration to the exclusion of child maintenance as income and endorse this inclusion within the 2016/17 and future years' questionnaire and consultation process;**
- 3) **endorse the ongoing alignment of applicable amounts with the Housing Benefit scheme from April 2016;**
- 4) **identify any other areas to be included in the 2015/16 on line questionnaire**

## EXECUTIVE SUMMARY

This report details the key issues arising from the Local Council Tax Reduction Scheme.

The Welfare Reform Act abolished Council Tax Benefit from 1 April 2013. It was replaced by a new Local Council Tax Reduction Scheme for working age customers. A national scheme of regulations was introduced for pensioners, which mirrors the Council Tax Benefit Scheme.

Each year the public are consulted on the proposed scheme for the following financial year. An on line consultation will be made available between July-September 2015 and all stakeholders, as well as members of the public, will be encouraged to give their views.

Grant funding was reduced and is distributed by the Department for Communities and Local Government rather than the Department for Work and Pensions. Current outturn on the 2014/15 scheme is estimated to be £4.156m of which the Authority's share is £453k (10.9% of the impact on the Collection Fund). At inception, the scheme design was modelled to ensure that the Authority complied with the Central Government requirement to achieve a 10% reduction in benefit cost but without increasing the burden of cost to the Council Tax Payer. However, grant funding is expected to reduce further in future years and future years' projections outlined below indicate an ongoing reduction in grant funding to the Authority. The following table highlights the grant funding compared to scheme costs without any changes to the scheme:

Estimate	2013/14	2014/15	2015/16	2016/17
Cost (10.9%) Est Outturn	£487k	£453k (Est)	£449k	£449k
Grant	£508k	£439k	£370k	£335k
Variance (Surplus)/ Deficit	£(21)k	£14k	£79k	£114k
Cum Variance (Surplus) / Deficit	£(21)k	£(7)k	£72k	£186k

The impact of grant funding and expenditure is closely monitored on a regular basis to identify whether the scheme is achieving its objectives but also highlighting cost burdens to the Medium Term Financial Strategy. The current maximum level of award under the existing scheme is 75% for most working age claimants. Current financial modelling indicates that although grant levels are reducing the scheme maxima should not be changed for the 2016/17 scheme consultation as it would add further potential hardship to claimants - this position is under regular review. Members should be aware of the impact of the Central Government Grant reductions when formulating the scheme for 2016/17 to inform the consultation process as any subsequent changes to the scheme governance arrangements would require a new consultation exercise.

The continued inclusion of child maintenance as income has previously been raised by Members. At the Council meeting on 18<sup>th</sup> December 2014, a motion was made to

make the following amendments for the scheme from 1<sup>st</sup> April 2015; That recommendation 4 be deleted and replaced with a new recommendation 4 with the exclusion of child maintenance as income.

That motion was not passed due to governance issues in respect to amendment to the scheme without due consultation. It was agreed that as part of the scheme consultation for 2016/17 the consultation process would include a specific item within the questionnaire: provision for the exclusion of Child Maintenance as income within the scheme, following a review of the outturn and implications of changes on the financial position, as it is a material change to the existing scheme. The financial impact to the Authority on the scheme is estimated to be approximately £2k (10.9% share) on the current caseload.

In addition the alignment of the scheme with applicable amounts for the Housing Benefit scheme (currently indicated at 1% annual increase by DWP) should continue to be considered. This is not a legislative requirement for those of working age, but a decision for this Council. The financial impact of this is not likely to be material as the increase in applicable amounts will be offset by increased income and state benefits received. This will also prevent confusion between schemes and reduce administrative burdens. Furthermore, it reflects cost of living rises allowed by the Government.

## **OPTIONS CONSIDERED**

The current scheme for most working age customers bases an award on a maximum of 75% of their Council Tax liability. Those who receive a Severe Disability Premium, or who have a disabled child and those who receive War Widows/War Disability Pension or Armed Forces Compensation Scheme payments have their awards calculated on 100% of their liability.

Pensioners also continue, under The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, to have their awards based on 100% of their Council Tax liability.

A two month public consultation on the scheme from April 2015 was held between 15 July and 15 September 2014. Although the consultation was widely publicised, only 77 responses were received.

There was a continued high level of endorsement for four out of the ten policies and the details of these are outlined below:

- Level of support for pensioners, severely disabled and in receipt of a Severe Disability Premium, claimants with disabled children and claimants receiving a War Disablement or War Widows Pension or Armed Forces Compensation Scheme payments;
- Protecting working age claimants who attract a Severe Disability Premium;
- *Including maintenance payments as income*;
- Working age claimants who are not protected should pay at least 25% of their Council Tax bill.

Furthermore, five out of the ten policies received a 'moderate' level of support with between 50-74% agreeing that they were reasonable. They are;

- Council Tax Reduction is limited to a maximum of 75% of a Band D property for working age claimants;
- The ongoing removal of Second Adult Rebate for working age claimants
- Childcare costs are included as an outgoing and subtracted from a claimant's overall net income;
- Child Benefit is not taken into account as income;
- Non dependant charges of £5 if the non dependant does not work and £10 if the non dependant is employed.

One received 'some' support. This was Policy 6 under which claimants were able to protect £16k in savings and still receive a means tested reduction of their Council Tax bill.

**RESOURCE IMPLICATIONS**

Council Tax Benefit Subsidy awarded for 2012/13 was £5.38m. The current scheme was modelled on delivering an estimated benefit reduction in the region of £700k for 2013/14, necessitated by grant cuts of 10% and protection for Pensioners and other vulnerable groups. The final amount awarded for 2013/14 was £4.4m and £4.2m for 2014/15.

Latest figures confirm that £4.1m has so far been awarded in Local Council Tax Reduction (LCTR) for 2015/16, to both working age and pensioner customers. The live working age caseload has reduced by approximately 11% since April 2013, which is attributable to customers finding employment and becoming financially self sufficient and contributes to the lesser amount now awarded.

Should Cabinet decide to consult on a proposal to exclude maintenance as income from April 2016 for working age claimants, the overall Council Tax Reduction Scheme awards would increase by approximately £18.5k per annum for 77 claimants from that date (£2k of which would be financed by the Authority.)

If Cabinet decide to consult on a proposal to change the scheme so that most working age customers' awards are based on a maximum of 70% of their Council Tax liability (rather than 75% at present), this would mitigate the deficit from grant reductions as indicated by an estimated £10k to the Authority. Cabinet may also wish to consider whether or not to continue to protect those who receive a Severe Disability Premium, or who have a disabled child and those who receive War Widows/War Disability Pension or Armed Forces Compensation Scheme payments who currently have their awards calculated on 100% of their liability. If vulnerable groups are no longer protected, Council Tax Reduction awards for the protected groups would decrease by £107k, giving a saving of approximately £12k to the Authority (10.9% of overall saving).

**Financial Summary**

	2012/13	2013/14	2014/15	2015/16	2016/17

	Estimate £'000	Actual £'000	Actual £'000	to date £'000	Estimated £'000
Council Tax Benefit	5,404				
Estimated Scheme Cost	4,685	4,470	4,156	4,122	4,121
Estimated Saving (incl Protection)	719				
Cost to TBC (10.9%)	511	487	453	449	449
TBC Grant rec'd *	516	508	439	370	335
Variance (Surplus) / Deficit	(5)	(21)	14	79	115
Extrapolation for Collection Fund	(48)	(189)	126	723	1,051
* includes SFA Grant Reduction (projected for 2016/17)			(13.50%)	(15.70%)	(9.70%)
SFAS - Settlement Funding Assessment					

## LEGAL/RISK IMPLICATIONS BACKGROUND

The Department for Communities and Local Government have confirmed that consultation on the scheme is not required annually if it is not amended. However, it is good practice to consult annually, to gauge fresh views on the policy. However, should a scheme have any proposed amendments, consultation is mandatory.

**Appendix 1** confirms the public consultation results for 2014/15, gauging views on each of the current policy elements of the scheme.

Section 13 A(2) and Schedule 1A of the Local Government Finance Act 1992 as well as Schedule 1A, paragraph 16 of the Local Government Finance Act 2012 legislate that the scheme must be agreed annually by full Council.

Full Equality Impact Assessments were considered and taken into account when the scheme was initially finalised and agreed.

## SUSTAINABILITY IMPLICATIONS

Funding for the replacement of the previous Council Tax Benefit scheme was changed from AMEY (unrestricted reimbursement of Council Tax Benefit Subsidy) to DEL (restricted, pre allocated grant figure). The Council must be aware that there must continue to be a contingency if, for instance, a major local employer goes into administration.

## **BACKGROUND INFORMATION**

The Welfare Reform Act 2012

[http://www.legislation.gov.uk/ukpga/2012/5/pdfs/ukpga\\_20120005\\_en.pdf](http://www.legislation.gov.uk/ukpga/2012/5/pdfs/ukpga_20120005_en.pdf)

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Regulations) 2012

[http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi\\_20122885\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf)

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

Local Council Tax Reduction Scheme 2013/14 Report, presented to Council on 13<sup>th</sup>

December 2012 <http://democracy.tamworth.gov.uk/mglIssueHistoryHome.aspx?IId=2548>

Local Council Tax Reduction Scheme 2014/15 Report, presented to Council on 17<sup>th</sup>

December 2013 <http://democracy.tamworth.gov.uk/mglIssueHistoryHome.aspx?IId=3849>

Local Council Tax Reduction Scheme 2015/16 Report, presented to Council on 16<sup>th</sup>

December 2014 <http://democracy.tamworth.gov.uk/mglIssueHistoryHome.aspx?IId=5259>

## **APPENDICES**

**Public Consultation Results 2014/15**

**Council Tax Reduction Caseload Summary**

**Council Tax Reduction Expenditure Summary**

**2014 Local Council Tax Reduction Scheme Questionnaire**

**Appendix 1**

**Appendix 2**

**Appendix 3**

**Appendix 4**