

THURSDAY, 5 NOVEMBER 2015

**REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS****LOCAL COUNCIL TAX REDUCTION SCHEME 2016 ONWARDS CONSULTATION RESULTS****EXEMPT INFORMATION**

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

**PURPOSE**

To advise Members of the results and feedback from the recently undertaken consultation on and the financial implications of the 2014/15 scheme. To review the consultation feedback when considering potential changes to be applied in the 2016/17 Local Council Tax Reduction Scheme;

To advise Members that the Local Council Tax Reduction Scheme for working age customers for 2016/17 should include continued alignment to Applicable Amounts with those of Housing Benefit;

That Members endorse the proposed change, supported by the consultation results, to exclude child maintenance as income.

**RECOMMENDATIONS**

**1 That Cabinet consider the results of the public consultation on the current scheme, carried out 31 July to 25 September 2015, and endorse or otherwise the proposed recommended changes detailed below when the scheme is considered by Council on 15 December 2015;**

**2 The base scheme (in place for 2014/15 and 2015/16) goes forward with the following exceptions/amendments;**

- a) That the Local Council Tax Reduction Scheme for working age customers for 2016/17 will continue to be aligned to Applicable Amounts with those of Housing Benefit, and
- b) That the exclusion of child maintenance as income becomes a policy change for the Local Council Tax Reduction scheme from 2016/17 onwards.

## 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.

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 £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 predictions are expected to reduce further in future years and future years' projections 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	£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 not increasing cost burdens to the Medium Term Financial Strategy. The current maximum level of award under the existing scheme is 75%. The consultation consideration to reduce maximum help from 75% to 70% for most working age claimants was moderately supported, although respondents have stated that 25% is enough as people will struggle to pay even more.

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 as any subsequent changes to the scheme governance arrangements, not consulted on, would require a further consultation exercise.

Continued alignment of the scheme with applicable amounts for the Housing Benefit scheme should 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 any 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 would reflect any cost of living rises allowed by the Government.

At the Council meeting on 16 December 2014, a motion was made that recommendation 4 be deleted and replaced with a new recommendation 4 with the inclusion of child

maintenance (this in fact should have read *exclusion*). This motion was not carried but it was agreed that consultation for the 2016/17 scheme would gauge views on excluding child maintenance as income from 2016 onwards.

In compliance with the above, a web based consultation exercise was carried out between 31 July to 25 September 2015. Consultation was also made on whether or not to reduce the maximum help for working age claimants (excluding those in protected groups) from 75% to 70%. The results are attached at **Appendix 1**. Local Community Groups were notified of the consultation and two press releases also encouraged responses.

A total of 109 responses were received. The proposal to exclude child maintenance as income from April 2016 was met with mixed reaction from the respondents with 46% perceiving it to be reasonable and 43% unreasonable to a certain extent.

## **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 a War Widows/War Disability Pension or Armed Forces Compensation Scheme payment have their awards based 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.

**Appendix 1** confirms that current policy principles and the proposed change to exclude child maintenance as income are supported.

## **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 endorse the 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.

## Financial Summary

	2012/13	2013/14	Variance	2014/15	2015/16	2016/17
	Estimate	Actual		Actual	Estimated	Estimated
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Benefit	5,404					
Estimated Scheme Cost	4,685	4,470	(215)	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)%
SFA - Settlement Funding Assessment						

Within the limitations of the system, a detailed analysis of the outstanding arrears relating to Local Council Tax Reduction claimants has been carried out (where they can be identified). We can attribute £230k of arrears as at 31 March 2014 to these claimants, though that arrears figure has halved over the last 18 months.

An "in year" collection rate of 74.8% for 2013/14 compared to 97.6% overall and a collection rate of 87.5% as at 30 September 2015 compares to the 98.9% overall collection for 2013/14. This means the outstanding balances for Local Council Tax Reduction claimants have reduced by 49% since 31 March 2014, while the overall arrears have reduced by 61%. £118k of the arrears, attributable to those claimants, are still outstanding at 30 September 2015.

Risks around the estimate for 2016/17 include;

- Final Settlement Funding Assessment confirmation is not expected until January 2016 (provisional figures in December 2015);
- The final cost is dependent on collection levels – the estimated figures are based on the amounts chargeable (with arrears still to be collected);
- The scheme has now been running for 2.5 years. Current expenditure as above may or may not increase, as the scheme is demand led and depends on social and economic factors.

## **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, the Council has decided it wise to consult even when changes are not proposed. Notwithstanding this, as amendments to the scheme are proposed for 2016/17, consultation was mandatory for the 2016/17 scheme.

**Appendix 1** confirms the public consultation results, gauging views on each of the current policy elements of the scheme as well as views on proposed changes.

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 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/documents/s10311/LOCAL%20COUNCIL%20TAX%20REDUCTION%20SCHEME%20FROM%20201516.pdf>

## APPENDICES

**Appendix 1** Local Council Tax Reduction Scheme Consultation Summary report 2015

**Appendix 2** Council Tax Reduction Working Age Expenditure summary

**Appendix 3** Council Tax Reduction Caseload summary