

THURSDAY, 24 NOVEMBER 2016

**REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE****LOCAL COUNCIL TAX REDUCTION SCHEME 2017/18 ONWARDS AND 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 the proposed Local Council Tax Reduction Scheme from 2017 onwards. To review the consultation feedback when considering potential changes to be applied in the 2017/18 onwards Local Council Tax Reduction Scheme;

To advise members that the Local Council Tax Reduction Scheme for working age customers for 2017/18 should include continued alignment to Applicable Amounts with those of Housing Benefit;

That Members endorse the proposed change, moderately supported by the consultation results, to restrict Council Tax Reduction awards to a maximum of 4 weeks only where the claimant(s) are abroad.

**RECOMMENDATIONS**

- 1 That Cabinet consider the results of the public consultation on the current scheme, carried out 15 August to 14 October 2016, and endorse or otherwise the proposed recommended change detailed below when the scheme is considered by Council on 13<sup>th</sup> December 2016;**
- 2 The base scheme goes forward with the following;**
  - a) That the Local Council Tax Reduction Scheme for working age customers for 2017/18 will continue to be aligned to Applicable Amounts with those of Housing Benefit, and**
  - b) That Council Tax Reduction awards will be restricted to a maximum of 4 weeks *only* where the claimant(s) are abroad.**

## **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 obsolete 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. Outturn on the 2015/16 scheme is £4.04m of which the Authority's share was £436k (10.8% 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' Revenue Support Grant (RSG) projections indicate an ongoing reduction in grant funding to the Authority from 2017/18 and will mean that RSG will cease to be paid by 2020 and that the Council will have to fund the scheme from its own resources and retained Business Rates income in the future.

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%. Current financial modelling indicates that although grant levels are reducing the scheme maxima should not be changed for the 2017/18 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 2017/18 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. This will prevent confusion between schemes and reduce administrative burdens. Furthermore, it would reflect any cost of living rises allowed by the Government.

In compliance with the above, a web based consultation exercise was carried out between 15 August to 14 October 2016. The results are attached at **Appendix 1**. Local Community Groups were notified of the consultation and two press releases also encouraged responses. 84 responses were received. The proposal to reduce Council Tax Reduction awards to a maximum of 4 weeks where the claimant and any partner are abroad was moderately supported.

## **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 restrict entitlement to 4 weeks where the claimant is abroad 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 £4.427m, £4.156m for 2014/15 and £4.04m for 2015/16.

Latest figures confirm that £4.03m has so far been awarded in Local Council Tax Reduction (LCTR) for 2016/17, to both working age and pensioner customers. The live caseload has reduced by approximately 12% since April 2013, which is attributable to customers finding employment, becoming financially self sufficient and contributes to the lesser amount now awarded. Furthermore, welfare reforms have also reduced the amount awarded to some claimants who are no longer entitled to the Severe Disability Premium, thus their award is now based on a maximum of 75% rather than 100% of their Council Tax liability.

It is impossible to predict what savings the restriction of Council Tax Reduction awards to the first 4 weeks only of absences where the claimant is abroad would be. However it is envisaged that the savings will be nominal.

## **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 an amendment to the scheme is proposed for 2017/18, consultation was mandatory for the 2017/18 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>

Local Council Tax Reduction Scheme 2016/17 report, presented to Council on 15<sup>th</sup> December 2015  
<http://democracy.tamworth.gov.uk/documents/s12836/Local%20Council%20Tax%20Reduction%20Scheme%202016%20onwards.pdf>

## **APPENDICES**

**Appendix 1** Local Council Tax Reduction Scheme Consultation Summary report 2016

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

**Appendix 3** Council Tax Reduction Caseload summary

**Appendix 4** Equality Impact Assessment