

COUNCIL

10 DECEMBER 2019

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

LOCAL COUNCIL TAX REDUCTION SCHEME 2020/21 ONWARDS

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 that the Local Council Tax Reduction Scheme for working age customers for 2020/21 should include continued alignment to Applicable Amounts with those of Housing Benefit.

RECOMMENDATIONS

- 1 That Council consider and endorse or otherwise the proposed recommended changes detailed below:
- 2 *The base scheme goes forward with the following;*

That the Local Council Tax Reduction Scheme for working age customers for 2020/21 will continue to be aligned to Applicable Amounts with those of Housing Benefit.

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 Ministry of Housing, Communities and Local Government rather than the Department for Work and Pensions. Outturn for the 2018/19 scheme was £4.06m of which the Authority's share was £423k (10.4% 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, it has been assumed that Revenue Support Grant (RSG) will cease to be paid from 2021 and 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 2020/21 scheme 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 2020/21 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.

As there are no other proposed changes for the scheme it was not necessary to carry out a formal consultation this year.

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.

Members at both Cabinet and Corporate Scrutiny Committee meetings have recently commenced a review of proposals to introduce a Banded Scheme, for implementation in 2021/22, starting on 1 April 2021, which would remove much of the complexity associated with the current scheme, whilst at the same time maintaining fairness and equality in the way in which awards are distributed amongst Council Tax payers. Further reports will be submitted to both Cabinet and Corporate Scrutiny, to include detailed cost forecasting and scheme principles with the aim to finalise a new scheme for Public consultation in 2020.

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, £4.04m for 2015/16, £3.98m for 2016/17, £3.97m for 2017/18 and £4.06m for 2018/19 (**Appendix 1**).

Latest figures confirm that £4.11m has so far been awarded in Local Council Tax Reduction (LCTR) for 2019/20, to both working age and pensioner customers. The live caseload has reduced by approximately 20% 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.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Ministry of Housing, Communities and Local Government have confirmed that consultation on the scheme is not required annually if it is not amended. The Council have therefore taken the decision not to consult this year as other than the yearly alignment of applicable amounts to those of Housing Benefit, there are no significant proposed changes that required a consultation.

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

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

http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf

REPORT AUTHOR

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HISTORICAL LIST OF BACKGROUND PAPERS

The Local Council Tax Scheme was introduced in April 2013. Previous versions of the schemes are available if required.

Local Council Tax Reduction Scheme 2018/19 report, presented to Council on December 12th December 2017

<http://democracy.tamworth.gov.uk/documents/s21399/Local%20Council%20Tax%20Reduction%20Scheme%20201819%20onwards.pdf>

Local Council Tax Reduction Scheme 2019/20 report, presented to Council on 11th December 2018

<http://democracy.tamworth.gov.uk/documents/s24666/Local%20Council%20Tax%20Reduction%20Scheme%20201920%20onwards.pdf>

APPENDICES

Appendix 1 Local Council Tax Reduction Working Age Expenditure Summary

Appendix 2 Local Council Tax Reduction Caseload Summary