

## Council

17<sup>th</sup> December 2013

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

#### LOCAL COUNCIL TAX REDUCTION SCHEME

##### 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

For Council to consider;

Ongoing agreement of the Authority's current Council Tax Reduction Scheme for Working Age customers, originally agreed at Council on 13<sup>th</sup> December 2012, including 1% up ratings to Applicable Amounts applied for 2014/15.

##### RECOMMENDATIONS

That Council endorse

The continuation of the Authority's Local Council Tax Reduction scheme for a further year, without change, for 2014/15.

To then review the scheme following completion of the first year, identification of delivery of the scheme's financial target and full implications of potential changes that may arise re consultation/equalities/potential challenge.

##### EXECUTIVE SUMMARY

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

The Welfare Reform Act 2012 abolished Council Tax Benefit from 1 April 2013. It was replaced by a new Local Council Tax Reduction scheme. Grant funding was reduced by 10% and is distributed via the Department for Communities and Local Government rather than by the Department for Work and Pensions.

The Government specified that Pensioners must be protected from any grant cuts. Accordingly, regulations that mirror the obsolete *Council Tax Benefit (Persons who have attained the qualifying age for state pension credit) 2006* were laid for Pensioners, which must be adhered to. For Working Age customers, Councils continue to be free to decide their schemes, which are subject to an overall 10% reduction in grant funding previously received.

The Authority worked closely with all other Staffordshire District Councils, Staffordshire County Council and the Fire Authority, to design an over arching scheme. Local considerations were then also separately made by each Authority to achieve the savings requirements, based on each area's demographic make up and budgetary restrictions.

Options were presented to Cabinet on 25<sup>th</sup> July 2012, as Tamworth Borough Council had a target saving of £700,000 from Council Tax Benefit expenditure for Working Age customers. Full Equality Impact Assessments were given for each option. On 15<sup>th</sup> August 2012, Cabinet's preferred option for a Local Council Tax Reduction Scheme was decided.

## Consultation

An eight week consultation period then commenced with the public, focus groups and all other stakeholders to gauge views about the proposals. A total of 10 drop in events were held, both with the public and various groups. The drop in sessions attracted almost 800 visitors. Every benefit customer (over 7000) was also sent a consultation questionnaire along with a consultation leaflet which explained that Council Tax Benefit was being abolished and encouraging them to give their views on its proposed replacement in Tamworth.

- ❖ 828 responses were received, which is a statistically robust number. This represented 1.075% of Tamworth's population, which compared favourably to the response rate of all other Staffordshire Local Authorities of between 0.3% and 0.6% of their residents/groups.
- ❖ The degree of endorsement for the proposals was varied, with most support being received for the proposal which provides continued protection for those entitled to a Severe Disability Premium. Least support was received to regarding the removal of Second Adult Rebate (this applied to less than 30 Working Age customers). There was a high level of support for five out of the ten proposals as outlined below:

### 1.3 High level of support

- Level of support for pensioners, severely disabled and in receipt of a Severe Disability Premium, claimants with disabled children and claimants receiving a War Pension
- Continuing to disregard childcare costs
- Claimants and the level of savings allowed
- Continuing to exclude Child Benefit payments
- Continuing to protect those claiming a Severe Disability Premium.

1.4 There was a moderate level of support for the remaining five of the ten proposals as outlined below;

#### Moderate level of support

- calculation of support based on 75% of Council Tax liability rather than 100%, meaning everyone who is not proposed to be protected from any reductions has to pay at least 25% of their Council Tax liability
- limit the calculation of support to no more than 75% of Band D liability
- removal of Second Adult Rebate for all working age customers
- inclusion of maintenance payments as income
- increased non dependant charges of £5 per week (previously £3.30 pw) and £10 per week (previously £6.55 - £9.90 pw, depending on gross pay received).

The results of the consultation were detailed in the Localisation of Council Tax Consultation Final Report, presented to Council on 17<sup>th</sup> December 2012. There were no material implications raised following the consultation and the scheme was agreed without further amendment.

## **RESOURCE IMPLICATIONS**

The current scheme was modelled on delivering an estimated benefit reduction in the region of £700k., necessitated by grant cuts.

The scheme has been running for 9 months. Current estimates indicate, based on monitoring data @ 31<sup>st</sup> October 2013, a projected surplus for the year. However due to potential volatility in final year end results, it is far too early to make an informed decision on potential changes to the scheme.

The Authority has received one request to review its policy, the result of a national campaign made by Gingerbread Single Parent Charity, regarding the inclusion of maintenance as income. Any future changes to the scheme would need to be consulted. Therefore it is proposed at this point in time that the Authority awaits the full year cost of the scheme before considering any changes prior to consultation and equalities reviews.

## **CONCLUSIONS**

### **Current Local Council Tax Reduction Scheme**

The scheme delivers the required savings based on the 10% grant reduction and provides some contingency in case the claim base increases.

The Department for Communities and Local Government have confirmed that if a scheme is not amended, there is no cause to re consult with the public. This has been confirmed separately from a legal perspective. However, 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 by Council, annually.

## **LEGAL/RISK IMPLICATIONS**

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

If the Authority's Local Council Tax Reduction Scheme was not endorsed or in place by the 31<sup>st</sup> January 2013 then the default scheme would have had to be applied. The implementation of a default scheme would have resulted in the Authority having to implement the previous scheme, financing the 10% reduction and suffering additional benefit cost from 2013 /14 (onwards) as the then existing benefit limits were up rated.

## **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.

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

- Draft 2014/15 Local Council Tax Reduction Policy (subject to 1% uprating of Applicable Amounts, when known)
- 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)
- Cabinet Report - 'Preferred option for a Local Council Tax Reduction Scheme dated 15th August 2012 & subsequent Council ratification
- Localisation of Council Tax Consultation Final Report, presented on 17th December 2012

## Appendices

Council Tax Reduction caseload summary **Appendix 1**

Council Tax Reduction Expenditure summary **Appendix 2**

## BACKGROUND INFORMATION

### Council Tax Local Reduction Scheme 2013 onwards

The Government is committed to retaining Council Tax support for the most vulnerable in society and took forward plans for Councils to develop local Council Tax Reduction Schemes. The Welfare Reform Act 2012 abolished Council Tax Benefit, paving the way for new localised schemes.

Consideration of the Department for Communities and Local Government policy intention document - *Localising Support for Council Tax Vulnerable people – key Local Authority Duties* was also made when devising Tamworth's Local Council Tax Reduction scheme.

*Localising Support for Council Tax – Funding Arrangements Consultation* gave details of how funding for a Council Tax Reduction Schemes has been reduced from 2013 onwards. Accordingly, regard for these budgetary cuts also influenced the design of a Local Council Tax Reduction scheme.

*Localising Support for Council Tax - Taking Work Incentives into Account* was also considered when drafting the policy.

If Councils did not have a local scheme in place by 31<sup>st</sup> January 2013, the Government would have imposed a 'default scheme' which is the obsolete Council Tax Benefit scheme. This option was not sustainable as that scheme was fully subsidised by the Department for Work and Pensions, regardless of caseload and new schemes have a fixed annual grant *only* which is at least 10% less than before.

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