

THURSDAY, 23 OCTOBER 2014

REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS**LOCAL COUNCIL TAX REDUCTION SCHEME FROM 2015/16****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

To advise Members of the results and feedback from the recently undertaken consultation on and the financial implications of the 2013/14 scheme. To review the consultation feedback when considering potential changes to the scheme to be applied in the 2015/16 Local Council Tax Reduction Scheme;

To advise Members that The Local Council Tax Reduction Scheme for Working Age Customers for 2015/16 should include an uprating to Applicable Amounts (to be applied for 2015/16);

That Members endorse the proposed change to be incorporated within the draft proposed scheme to be reported to full Council on 16th December 2014.

RECOMMENDATIONS

- 1) That Cabinet consider the results of the public consultation on the current scheme, carried out 15 July to 15 September 2014, and endorse or otherwise the proposed recommended change detailed below when the scheme is considered by Council on the 16th December 2014;**
- 2) The base scheme (in place for 2013/14 & 2014/15) goes forward with the following exception / amendment:
that The Local Council Tax Reduction Scheme for Working Age Customers for 2015/16 will include an uprating to Applicable Amounts in line with Housing Benefit (estimated 1% to be applied for 2015/16);**
- 3) Following the outturn results for 2014/15 (together with grant projections) the impact on the scheme be reviewed and reported to Members prior to consultation for the development of the 2016/17 scheme.**
- 4) The exclusion of child maintenance as income be included as a specific item in the consultation for the 2016/17 scheme.**

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.

Alignment of the scheme with applicable amounts for the Housing Benefit scheme (currently indicated at 1% by DWP) 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 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.

The Council meeting on 17th December 2013 (minute number 47 refers), resolved that:

The scheme following completion of the first year be reviewed and identification of delivery of the scheme's financial target and full implications of potential changes that may arise re consultation/equalities/potential challenge.

In compliance with the above, a web based consultation exercise was carried out between 15 July to 15 September 2014 – the results are attached at **Appendix 1**. Local Community Groups were notified of the consultation and a press release also encouraged consultation responses.

There was a low response rate and no material issues were identified.

The inclusion of child maintenance as income has previously been raised by Members. It should be noted that 77% of respondents indicated they feel it is reasonable to continue to include child maintenance as income in determining an award, confirming that it continues to be a supported policy by those respondents.

Should Cabinet propose to exclude maintenance as income for 2015/16, the public must be consulted again as it is deemed a material change. Given the deadline of 31st January 2015 for the 2015/16 scheme to be agreed at full Council, it is recognised that there is no scope for further, timely consultation prior to full Council on 16th December 2014. It is proposed that the exclusion of maintenance as income be a specific consultation item in the forthcoming 2016 / 17 review and consultation process..

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 current scheme was held between 15 July and 15 September 2014. Although the consultation was widely publicised, only 77 responses were received.

There was a 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 £16,000 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 £4.47m – equating to a surplus of c.£21k for the Council (10.9% of extrapolated Collection Fund Surplus circa. £189k).

	2012/13 Estimate £'000	2013/14 Actual £'000	Variance £'000	2014/15 to date £'000	2015/16 Estimated £'000
Council Tax Benefit	5,404				
Estimated Scheme Cost	4,685	4,470	(215)	4,300	4,300
Estimated Saving (including Protection)	719				
Cost to TBC (10.9%)	511	487		469	469
TBC Grant rec'd *	516	508		439	371
Variance (Surplus) / Deficit	(5)	(21)		29	98
Extrapolation for Collection Fund	(48)	(189)		270	896
* includes SFA Grant Reduction				13.5%	15.5%

Latest figures confirm that £4.3m has so far been awarded in Local Council Tax Reduction (LCTR) for 2014/15, to both working age and pensioner customers. The live working age caseload has reduced by approximately 10% since April 2013, which is attributable to customers finding employment and becoming financially self sufficient and contributes to the lesser amount now awarded.

Within the limitations of the system, a detailed analysis of the outstanding arrears relating to LCTR scheme claimants has been carried out (where they can be identified). We can attribute £230k of arrears as at 31 March 2014 to the LCTR scheme claimants, though that arrears figure has dropped by almost a quarter over the last six months.

An “in year” collection rate of 74.8% for 2013/14 compares to 97.6% overall and a collection rate of 81.1% as at 30th September 2014 compares to the 98.3% overall collection for 13/14. This means the outstanding LCTR scheme balances have reduced by 25% so far this year, while the overall arrears have reduced by 30%. £175k of the new LCTR scheme arrears are still outstanding at 30 September 2014.

For 2014/15, the Settlement Funding Assessment (SFA) has been reduced by 13.5%. Due to the overall reduction in SFA, it is currently forecast that the scheme will cost the Council £29k in 2014/15 (with a projected cost of £98k in 2015/16).

Risks around the estimate for 2015/16 include:

- Final Settlement Funding Assessment confirmation is not expected until January 2015 (provisional figures in December 2014);
- 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 18 months. Current expenditure as above may or may not increase as the scheme is demand led and depends on local 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, consultation was made this year to gauge fresh views on the policy, given that it has now been in operation for 18 months.

Appendix 1 confirms the public consultation results, 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

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

Karen Taylor x529 / S Garner x242

LIST OF BACKGROUND PAPERS

Local Council Tax Reduction Scheme 2013/14 Report, presented to Council on 13th
December 2012 <http://democracy.tamworth.gov.uk/mglIssueHistoryHome.aspx?IId=2548>

Local Council Tax Reduction Scheme 2014/15 Report, presented to Council on 17th
December 2013 <http://democracy.tamworth.gov.uk/mglIssueHistoryHome.aspx?IId=3849>

APPENDICES

Local Council Tax Reduction Scheme Consultation Summary Report 2014	Appendix 1
Council Tax Reduction caseload summary	Appendix 2
Council Tax Reduction expenditure summary	Appendix 3