

TELFORD & WREKIN COUNCIL

**CABINET - 12th DECEMBER 2013
FULL COUNCIL - 23rd JANUARY 2014**

COUNCIL TAX SUPPORT SCHEME 2014/15

REPORT OF ASSISTANT DIRECTOR: CUSTOMERS & PEOPLE

LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 On the 31st March 2013 the national Council Tax Benefit scheme was abolished and replaced with a new system of localised Council Tax Support which requires each billing authority to design and implement its own system for awarding council tax discounts to customers who are on low incomes.
- 1.2 Telford & Wrekin Council's Council Tax Support scheme for 2013/14 was approved by full Council on the 22nd November 2012 and commenced on the 1st April 2013.
- 1.3 We are still relatively early in the lifecycle of our localised Council Tax Support scheme and although we have undertaken a thorough analysis of our current position outlined in more detail in this report, it is far too early to draw any firm conclusions or make any accurate predictions from the findings at this stage.
- 1.4 We are recommending therefore that for 2014/15, we retain the same local scheme that was implemented for 2013/14, except for the technical and legislative amendments that are necessitated each year by Government. In doing so we will not be required to go out again to consult. This recommendation also has the full support of the cross party Joint Co-operative & Communities and Budget & Finance Scrutiny Committees with whom we have fully consulted and involved on all aspects of the Governments Welfare Reforms.
- 1.5 Retaining the same local scheme for 14/15 will allow us further time to gather a full year's worth of data to truly understand the impact of the scheme, both financially and socially, and allow us to make a better informed view of how the scheme may be developed further for 2015/16.
- 1.6 The Council Tax Hardship fund has been invaluable this year in assisting us to award help to the most financially vulnerable customers. We are therefore recommending that any unspent hardship fund should be rolled forward to be used in 2014/15.

2. RECOMMENDATIONS

- 2.1 That Council be recommended to approve the Council Tax Support scheme policy for 2014/15, which remains unchanged from the scheme approved by full Council on 22nd November, 2012 with the exception of the technical and legislative amendments that are necessitated each year by Government.
- 2.2 That Council be recommended to approve the carry forward of the remaining funds in the Council Tax Support Exceptional Hardship Policy to allow it to operate for a further year.
- 2.3 To note the findings from the cross party, joint Co-Operative & Communities and Budget & Finance Scrutiny Committees who support the retention of the existing Council Tax Support scheme for 2014/15.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	No	
	Will the proposals impact on specific groups of people?	
	Yes	<p>These proposals will impact on all current and future working age recipients of Council Tax Support.</p> <p>More information about how we are meeting the general equality duty is available in the attached Community Impact Assessment provided at Appendix D.</p>
TARGET COMPLETION/DELIVERY DATE	<p>The Council Support Tax scheme must be approved by full Council no later than 31st January 2014.</p> <p>The 2014-15 Council Tax Support scheme will commence on the 1st April 2014.</p>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	
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<p>In 2013/14 the Council implemented a Local Council Tax Support (CTS) Scheme, which replaced the previous nationally prescribed Council Tax Benefits scheme. CTS is awarded as a council tax discount (i.e. a reduction to the council tax bill similar to a single person discount). In parallel, the</p>		

Government cut the amount of funding provided to operate local schemes which resulted in an estimated shortfall of around £3.1m to the Council. This gap was met through a combination of changes to council tax exemptions and discounts and by applying a 21% global reduction in Council Tax Support given to less-vulnerable claimants.

Funding for Council Tax Support is allocated to local authorities as part of the business rates retention scheme, and is therefore within the overall funding the Council receives from Central Government. As 2013/14 was the first year of the CTS Scheme, the grant amount was separately identified when the Council received its financial settlement figures, including an element for Parishes. This will not be the case in future which means that we will be unable to compare the costs of the CTS scheme with its funding beyond the current year. As the Government continue to cut local government funding, by implication, there is less funding for CTS, however this is masked within the overall funding position. It is actually contained within the Business Rates Retention Scheme and forms part of the overall funding for the authority.

The table below compares the estimated and current costs and funding of the CTS Scheme – it should be noted that the figures are calculated at a point in time and the position is fluid as individual circumstances change:

	Original Estimate £m	Current Oct 2013 £m	Change £m
Costs:			
Projected Council Tax Discounts Awarded	13.3	12.9	-0.4
Reduced Collection (99% to 98%)	0.5	0.5	0.0
Funding:			
Changes to Council Tax Discounts and Exemptions (such as A&C Exemptions)	(1.2)	(0.9)	+0.3
“Grant” Received	(12.6)	(12.6)	0.0
Net Cost (Benefit)	0.00	(0.1)	-0.1

The figures show that the cost of CTS discounts awarded is lower than originally estimated which is due to claimant numbers now reducing, rather than increasing which was the trend when the original estimate was calculated. Conversely, the anticipated benefit from changes to Class A-C exemptions is lower than expected. Overall, there is a net benefit of around £100,000. However, importantly this doesn't include any estimates in relation to the adequacy of the bad debt provision (losses on collection in the above table) as it will take a number of years for final collection rates for 2013/14 to be established. The total council tax debit for 2013/14 is £66m - we currently only have 7 months data which includes the impact of CTS and, given a very small percentage change to the predicted collection rates has a significant impact on the projected bad debts, it is difficult to estimate the level of bad debt with any certainty. We do know that overall collection rates are slightly

behind target for the year and that working-age CTS claimants as a group have the lowest collection rate.

There are also other changes to the council tax base position, such as growth in the number of dwellings, which are not directly linked to the CTS scheme and are not therefore covered in this report but will feed into the Council's overall budget strategy.

The current estimate is a reasonable indicator of the starting cost in 2014/15, since there is no council tax increase and caseloads have been projected at current levels, and there is no further information on which to update the losses on collection or exemptions figures. A reduction of £255,000 is expected (and has been included in the current list of savings proposals) as the Service Area intend to undertake a programme to review Council Tax Support Claimants over the next 12 months.

Council tax income is accounted for through the Collection Fund and ultimately any CTS impacts on collection will feed into the Collection Fund surplus/deficit which is shared between the major precepting authorities (Police, Fire, TWC). Any surplus is available to feed into future budget strategies.

There is a one-off hardship fund totalling £65,000 in 2013/14 to provide support in specific circumstances. It is estimated that £30,000 of this will be spent by year end leaving a balance of £35,000 which could be carried forward to 2014/15 to continue the fund for a further 12 months.

LEGAL ISSUES	Yes	The legal implications are set out in the body of the report. The Council Tax Support Scheme Policy must be made in accordance with the Acts and Regulations it is made under. The Council Tax Support Exceptional Hardship Policy is discretionary. In looking at the recommendations in this report it is particularly important to note the information at section 4.3 which sets out the deadline for approving the policy. Further, as pointed out at paragraph 4.3.4, if the recommendations in the report are not approved and amendments to the policy were to be proposed, a public consultation may be required before such changes could be considered.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough wide impact

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

4.1 Introduction and Background

4.1.1 The Government announced as part of the Spending Review in 2010, that it would localise support for Council Tax from 2013/14, with an expectation that funding would be reduced by 10%.

4.1.2 Our estimation was that for 2013/14 there would be a gap of around £3.1 million between the amount of Council Tax Support funding we would receive from the Government, and the amount we would need to continue to support customers at the same level as they were receiving under the Council Tax Benefit scheme.

4.1.3 Councils were required to establish local Council Tax Support (CTS) schemes to be implemented on 1st April 2013. This reform of council tax support was accompanied by a new cash-limited government grant to councils which is taken into account in setting the Council Tax Base and when forming the CTS local schemes. The support is in the form of discount shown on the Council Tax demand notice.

4.1.4 Whilst the new regulations provided councils with flexibility to set up their own local arrangements, the Government expressed a clear intention in relation to certain aspects of a local scheme. These include:

- The amount of Council Tax Support awarded to pension age customers will continue to be a national prescribed scheme which will effectively protect them from any reduction in support
- Councils should also consider ensuring support for other vulnerable groups
- Local schemes should support work incentives and in particular avoid disincentives to move into work

4.1.5 Telford & Wrekin Council's scheme was introduced on the 1st April 2013 following a wide ranging consultation with residents, stakeholders and partners. It is based on 5 key principals:

- Principal 1 - The cut in funding should not mean cuts to other Council services
- Principle 2 - The impact of the cut should be shared equally across all working age claimants
- Principal 3 - Vulnerable claimants should be protected from changes
- Principal 4 - The needs of those with children or caring responsibilities should be recognised

- Principle 5 - The new scheme should not discourage claimants from retaining or starting low paid employment

4.1.6 For the most part, our local scheme follows the same basic rules of the default national scheme, with a number of key differences which follow the 5 main principals. These are:

- Customers who meet the specific definition of severe disability contained within the policy are protected from any reduction in benefit. This will also apply to customers who meet the criteria for receiving a war compensation related benefit or pension.
- Customers who have in excess of £6,000 in capital are not entitled to Council tax Support. The previous Council Tax Benefit scheme had an absolute cap of £16,000, but any capital between £6,000 and £16,000 reduced the amount of benefit paid to the customer. The first £6,000 however continues to be disregarded in full.
- The maximum period that an award of Council Tax Support can be backdated is 1 calendar month from the date of the application.
- Under the Council Tax Benefit scheme, if you were the only person in your household liable to pay Council Tax, but another adult in your household has a low income, you may have been able to receive Council Tax Benefit of up to 25%. This could be paid regardless of the relative prosperity of the Tax Payer. This benefit, known as Second Adult Rebate was removed in our local scheme.
- A minimum award of £2.50 a week, removing payment to those claimants that only qualify for relatively small amounts of rebate.

4.1.7 In addition to the flexibility to design our own Council Tax Support scheme, the Government also allowed billing authorities' greater discretion over applying discounts and exemptions for certain categories of property from April 2013.

4.1.8 In line with the Council's desire to encourage vacant properties back into use and to maximise additional revenue that could be used to offset some of the Council Tax Support funding gap, we introduced the following technical reforms to Council Tax:

- Reduced the Class A exemption to a 0% discount for the whole period
- Reduced the Class C exemption to a 0% discount for the whole period
- Introduced a 'premium' to charge 150% on dwellings left empty and unoccupied for more than 2 years
- Reduced the second homes discount from 10% to 0%

A Class A exemption is awarded where a property is unfurnished and needs major repairs or is undergoing structural alterations to make it habitable (for up to 12 months only)

A Class C exemption is awarded where a property is unoccupied and unfurnished

4.1.9 We estimated that the additional revenue that could be generated from these changes in 2013/14 would be £1.2 to be redirected to reduce the funding deficit within the Council Tax Support grant.

4.2 Review of the 2013/14 scheme

4.2.1 A financial review of the 2013/14 scheme to date is included in the “Financial Impact” comments at the start of this report.

4.2.2 Essentially, at the point this report was written we are only just over half way through the financial year, and therefore urge caution in drawing too many firm conclusions from the data available so far. The financial impact of the scheme is still being assessed and won't truly be known until after the end of the financial year.

4.2.3 A number of assumptions made when predicting the cost of the CTS scheme, and its impact on Council Tax collection have not transpired as predicted. For example, the amount of additional Council Tax collected following the removal of the empty property discounts has not been as high as predicted, however the impact of this has been offset by the fact that our benefit caseload has started to reduce during the year, meaning that the amount of Council Tax Support awarded is less than expected.

4.2.4 When the 2013/14 scheme was developed, we anticipated that council tax collection may reduce from 99% to 98%. So far this has proven to be accurate, however the figure is very fluid and again, caution should be applied before drawing any firm conclusions at this stage.

4.2.5 The net impact of all the Governments council tax reforms is that at the end of October the net cost to us is £100k better than we predicted before taking into account the position relating to bad debts. However, relatively small shifts in any of the variables could result in significant changes to this position.

4.2.6 It is inevitable that a reduction in the amount of Council Tax Support awarded would result in a corresponding increase in the number of customers defaulting on their council tax payments.

4.2.7 Approximately 10,700 working age customers in our borough have seen a reduction in the amount of their Council Tax support as a result of the Governments changes, of whom, around 8,000 used to receive full Council Tax Benefit and therefore had no Council Tax to pay.

- 4.2.8 As at the end of October 2013, the number of Council Tax summonses issued had increased by 48% compared to the same period last year however on receipt of a summons this seems to be the catalyst for a number of residents to contact us to agree a payment arrangement.
- 4.2.9 To address the new challenges associated with collection from those in receipt of Council Tax Support, pro active telephone calls are being made to try to prompt payment or make an arrangement prior to the case progressing to bailiff action. We have also undertaken a successful Direct Debit take-up campaign to promote the use of DD's as a safe and efficient method of payment as well as introducing a first 'soft reminder' letter to customers who miss their first payment
- 4.2.10 As part of the 2013/14 scheme, a one off hardship fund of £65,000 was set aside to provide additional assistance to Council Tax Support claimants who were genuinely having difficulty paying the additional charges as a result of the reduction in support awarded. The policy for awarding Council Tax hardship was approved by Cabinet in February 2013 alongside the Discretionary Housing Payment Policy and is included at Appendix C.
- 4.2.12 The Revenues Service has been very proactive in encouraging customers to apply for this additional assistance where they feel that the customer is genuinely facing financial hardship. Of the £65,000 that was made available, it is anticipated that around £30,000 will have been awarded by the end of the financial year.
- 4.2.13 A review of the impact of all the Governments Welfare Benefit Reforms was undertaken by the cross party joint Co-Operative & Communities and Budget & Finance Scrutiny Committees on the 3rd September 2013. Their findings from the review are included at Appendix A, with their recommendation that the current scheme should be continued into 2014/15 with no changes made.

4.3 Approving the policy for 2014/15

- 4.3.1 It is a requirement within the legislation that each year, the Council Tax Support scheme for the forthcoming financial year must be approved by Full Council no later than the 31st January. This is required even if the decision is made to retain the existing scheme.
- 4.3.2 The CTS scheme must go through certain steps to comply with provisions in the Local Government Finance Act before it can be adopted by the Council, these are;
- Consultation with major precepting authorities (Police, Fire Service)
 - Public Consultation

4.3.3 Consultation with the major precepting authorities (West Mercia Police and Shropshire Fire and Rescue Service) took place before the introduction of the scheme in 2013/14 with various joint meetings with Section 151 Finance Officers, and the Assistant Director: Customer and People.

Both of the precepting authorities have also been consulted about the recommendations for 2014/15.

4.3.4 Public consultation is only required if the Council decide to amend their scheme. As a full and robust consultation was undertaken in 2012 prior to the implementation of the current scheme and as we are not proposing to make any major changes there is no duty to consult.

4.3.5 Even though no substantial changes are being recommended to our local scheme, a new policy is required for each financial year to reflect technical changes to the default scheme, such as the annual uprating of national benefits and to reflect changes made to other benefits, such as the introduction of Personal Independence payments, Universal Credit, etc. This detailed policy document (marked as Appendix B at agenda item 6) can be accessed from the Council's website at the following link: <http://apps.telford.gov.uk/demservice/agenda.asp?reference=1179>

4.3.6 Each year The Department for Communities and Local Government issue a set of CTS scheme regulations that will apply to pension-age claimants as they are not included within our local scheme. This is referred to as The Prescribed Scheme. Although the regulations for the 2014/15 prescribed scheme have not yet been passed, we have been provided with a statement of intent from DCLG which gives us advance notice of the technical changes they intend to make to the pension age scheme. Again, this is largely a case of annual uprating.

4.4 The 2014/15 scheme

4.4.1 We are still relatively early in the lifecycle of our localised Council Tax Support scheme and although we have undertaken a thorough analysis of our current position, it is far too early to draw any firm conclusions or make any accurate predictions from the findings at this stage.

4.4.2 We are therefore recommending that for 2014/15, we retain the same local scheme that was implemented for 2013/14, except for the technical and legislative amendments that are necessitated each year.

4.4.3 This will allow us to gather a full year's worth of data to truly understand the impact of the scheme, both financially and socially, which will allow us to make a better informed view of how the scheme may be developed for 2015/16.

4.4.4 The Council Tax Hardship fund has been invaluable this year in assisting us to award help to the most financially vulnerable customers. We are

therefore recommending that any unspent hardship fund should be rolled forward to be used in 2014/15.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 5.1 These proposals will impact on all current and future working age recipients of Council Tax Benefit/Council Tax Support and Council Tax payers who would receive an empty property discount.
- 5.2 The engagement activities have also identified that additional consideration should be given to those with limited financial management skills, mental health problems and anxiety in completing forms.
- 5.3 Mitigating actions include:-
 - Provision of an Exceptional Hardship Fund
 - Protection for those customers deemed as “vulnerable” which will include severely disabled people
 - Maintenance of core aspects of the current means tested scheme that provides additional assistance where there are dependants, disability and caring responsibilities.
 - Close monitoring of the scheme throughout the first year to ensure unanticipated implications and effects are reviewed and addressed.
- 5.4 Currently there is insufficient information, primarily due to the length of time the new scheme has been in operation to draw firm conclusions over the effectiveness of the mitigations put in place. However, a key action identified in the Community Impact Assessment is to produce an update report ‘at the end of the first year with further analysis of the actual impacts, incorporating engagement with key stakeholders, and detailing the effectiveness of the discretionary fund’ This is scheduled to commence in April 2014 and is consistent with recommendations from Scrutiny.
- 5.5 The full Community Impact Assessment that was completed before the implementation of the 2013/14 scheme is included at Appendix D.

6 PREVIOUS MINUTES

- 6.1 Minute 50 of the Council meeting of 22nd November 2012 (Localised Council Tax Support Policy 2013/14)
- 6.2 Minute CB-107 of the Cabinet meeting of 28th February 2013 (Discretionary Housing Payment and Council Tax Support Hardship Policy)

7. **BACKGROUND PAPERS**

- Appendix A – Scrutiny review of welfare reforms including recommendations regarding CTS scheme for 2014/15
- Appendix B - Council Tax Reduction Scheme Policy under S13a (s) and Schedule 1a of the Local Government Finance Act 1992 – THIS DOCUMENT IS AVAILABLE ELECTRONICALLY AT:
<http://apps.telford.gov.uk/demservice/agenda.asp?reference=1179>
- Appendix C – Discretionary Housing Payments and Council Tax Support Hardship Policy (approved February 2013)
- Appendix D – Community Impact Assessment (undertaken November 2012)

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