

TELFORD & WREKIN COUNCIL

**CABINET - 8th JANUARY 2015
FULL COUNCIL - 22nd JANUARY 2015**

COUNCIL TAX SUPPORT SCHEME 2015/16

REPORT OF ASSISTANT DIRECTOR: CUSTOMER SERVICE

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. On the 23rd January 2014, full Council approved the recommendation to retain the same scheme for 2014/15.
- 1.3 We are recommending that for 2015/16, 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 undertake another public consultation exercise. 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 Government Welfare Reforms.
- 1.4 The Council Tax Hardship fund has been invaluable over the last two years in assisting us to award help to the most financially vulnerable customers and it is proposed that it continues in 2015/16.

2. RECOMMENDATIONS TO COUNCIL

- 2.1 **That the Council Tax Support Scheme Policy for 2015/16 attached at Appendix A be approved;**
- 2.2 **That the Council Tax Hardship Policy and fund of £30,000 continues in 2015/16.**

3. SUMMARY IMPACT ASSESSMENT

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| 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 in Appendix B.</p> |
| TARGET COMPLETION/DELIVERY DATE | <p>The Council Support Tax scheme must be approved by full Council no later than 31st January 2015.</p> <p>The 2015-16 Council Tax Support scheme will commence on the 1st April 2015.</p> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | Yes | |
| <p>FINANCIAL/VALUE FOR MONEY IMPACT</p> <p>Funding for Council Tax Support (CTS) is allocated to local authorities as part of the business rates retention scheme, and is therefore included within the overall funding the Council receives from Central Government but is not separately identifiable. As the Government continues to cut local government funding, by implication, there is less funding available for CTS. The Government cut the amount of funding it provided when CTS was introduced in 2013/14 which led to the 21% global reduction in CTS given to less-vulnerable, working age claimants although pensioner age claimants were not affected by the changes. The global percentage was unchanged in 2014/15 and it is proposed to remain at 21% for 2015/16.</p> <p>CTS affects the Council's budget as it is given as a discount which reduces the amount of council tax income received and therefore available to fund spending; this impacts on the Council, Police, Fire and Parishes.</p> <p>The estimated and current projected costs of the CTS Scheme for 2014/15 are:</p> <p>Budgeted CTS Discounts (per tax base) £12.6m Projected CTS Discounts £12.3m</p> <p>CTS together with other changes to the council tax base position, such as growth in the number of dwellings, feeds into the Council's overall budget strategy. Estimated tax base calculations for 2015/16 show that costs are</p> | | |

expected to continue to fall and a benefit of £430,000 is expected (and has been included in budget projections) as the Service Area undertake a range of CTS reviews.

Council tax income is accounted for through the Collection Fund and ultimately any CTS over/under spends 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.

The hardship fund of £0.030m will be accommodated within the 2015/16 budget strategy but will not be shown as a revenue investment in the service and financial planning strategy because it is accommodated from within the collection fund as explained above.

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| 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 4.3.1 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 | As the scheme remains unchanged there are no new impacts or risks as a result of this report that have not previously been reported and plans put in place to mitigate against them |
| 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 As a result for 2013/14 there was a gap of around £3.1 million between the amount of Council Tax Support funding we received 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 principles:

- Principle 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
- Principle 3 - Vulnerable claimants should be protected from changes
- Principle 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 principles. 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 had 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, and following the outcome of public consultation on these proposals 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 redirected to reduce the funding deficit within the Council Tax Support grant.

4.2 Review of the 2014/15 scheme

- 4.2.1 A financial review of the 2014/15 scheme to date is included in the “Financial Impact” comments at the start of this report.
- 4.2.2 Overall, Council Tax collection was positive, with a significant increase in the value of Council Tax collected compared with the previous year.
- 4.2.3 The intention to freeze Council Tax for 2 years means that there will not be any additional pressure placed on the CTS scheme in 2015/16, as awards will not need to be increased to cover the rise.
- 4.2.4 Although we have a complete year’s worth of data, Council tax collection continues for months, and in some cases, years after the financial year ends, so the amount of Council Tax collected for 2013/14 will increase over time.
- 4.2.5 There are now clear signs that the economy is improving and unemployment levels are reducing. This should reduce pressure on the scheme over the next 12 months.
- 4.2.6 The 21% reduction in CTS introduced in 2013/14 was a significant decrease however since Year 1 the vast majority of Local Authorities have also reduced their CTS awards by similar levels as a result of the reduction in Government funding.
- 4.2.7 Council Tax collection rates are very positive overall. There are a group of Council Tax Support claimants, namely those that are of working age but unemployed, for whom collection is significantly lower than other customer groups. However, there are still a significant percentage of that group who are paying. Any decision to increase the level of support for this group would require a comparative reduction in the level of support provided to other groups of claimants, such as those in low paid employment. Also as 2013/14 was the first year that this group of people were asked to make any Council Tax contribution at all it was felt that the overall collection level for the group may increase as they become more accepting of the fact that they have to make some Council Tax payment.
- 4.2.8 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. For 2014/15 approval was granted for unspent funding to be rolled forward to enable the scheme to continue for a second year. It is forecast that we will have awarded £30,000 in support in 2014/15 which will have exhausted the original £65,000 that was budgeted.

The Council Tax hardship scheme had been invaluable in providing additional support to the most vulnerable customers, and it is therefore

recommended that this scheme be funded for a further 12 month at a cost of £30,000

The policy for awarding Council Tax hardship was approved by Cabinet in February 2013 alongside the Discretionary Housing Payment Policy and would remain unchanged.

4.2.9 A review of the impact of all the Government's Welfare Benefit Reforms was undertaken by the cross party joint Co-Operative & Communities and Budget & Finance Scrutiny Committees in July 2014. They are supportive of the recommendation that the current scheme should be continued into 2014/15 with no changes made.

4.3 Approving the policy for 2015/16

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 Services

Both of the precepting authorities have also been consulted about the recommendations for 2015/16.

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 changes to rules for migrants, Universal Credit, etc. This detailed policy document is included at Appendix A (to follow).

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 updating.

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 full Community Impact Assessment that was completed before the implementation of the 2013/14 scheme is included at Appendix B. This has been reviewed and still relevant for this latest policy which largely remains unchanged.

6 PREVIOUS MINUTES

- 6.1 Minute 64 of the Council meeting of 23rd January 2014 (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 - Council Tax Reduction Scheme Policy under S13a (s) and Schedule 1a of the Local Government Finance Act 1992 (not available until early January 2015)

Appendix B – Community Impact Assessment (undertaken November 2012, reviewed November 2014)

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