

**COUNCIL TAX SUPPORT SCHEME REVIEW**

Relevant Portfolio Holder	Cllr R Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Key Decision / Non-Key Decision	Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable Members to consider proposals to reduce the financial impact to the District and other precepting bodies in relation to the Government changes to the Council Tax Support Scheme.

**2. RECOMMENDATIONS**

**The Cabinet is asked to RECOMMEND that:**

- 2.1 The options as set out in Appendix 1 be put to public consultation in order to inform potential changes to the Council's Council Tax Support Scheme for 2015/16 and/or later years.**
- 2.2 The Head of Customer Access and Financial Support be authorised to consult on the options, set out in Appendix 1.**
- 2.3 The Head of Customer Access and Financial report back to Cabinet on the outcome of that consultation and any proposals for changes to the scheme, for further consideration and resolution by Cabinet, to consult on a draft scheme.**
- 2.4 Further to the outcome of Cabinet's decision on the draft regulations, the Head of Customer Access and Financial Support be authorised to carry out the statutory consultation required on the draft scheme.**
- 2.5 The final Scheme be presented to Cabinet to make recommendations to Council in January 2015, to allow for the necessary regulations to be published by 31st January 2015.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 As Members are aware, from April 2013 the national scheme of Council Tax Benefits was replaced by locally agreed Council Tax Support Schemes (CTSS).

Local schemes are required to protect pensionable age claimants and incentivise work for working age claimants.

- 3.2 As the local schemes are now a discount, rather than a benefit, the impact of the change to Council Tax Support was to reduce the tax base for the Council by the amount of any support given. Compensation for the loss of Council Tax was paid via a grant from the Government and this was equivalent to around 90% of the previous Council Tax Benefits costs. Therefore, in effect, a 10% cut in the funding available to provide support through our local scheme.
- 3.3 This affected all organisations that raise a precept, including Parish Councils, Police, and the Fire Service; with Worcestershire County Council bearing the largest part of the shortfall. Members will be aware that a grant was provided from Government to 'top up' parish councils to cover any shortfall.
- 3.4 From April 2014 this grant was subsumed within the Revenue Support Grant (RSG) and it is no longer possible to ascertain exactly what the reduction in funding equates to but it is safe to assume that it is 10% plus a further cut equivalent to the overall reduction in the RSG.
- 3.5 The cost of Council Tax support for 2013/14 was estimated to be £4,500,000. The shortfall in funding was initially £437,500 with a shortfall for Bromsgrove District of £63,000.

In April 2013 more discretion was also given to billing authorities regarding discounts and exemptions for second and empty homes and the Council implemented a number of decisions aimed at mitigating the impact of the changes. This involved the removal of the Council Tax discount on second homes and limiting the amount of Council Tax discount on short term empty property to 50% for 6 months (excluding new developments). This resulted in the "claw back" of approximately £30,000 of the shortfall by this Authority

- 3.6 In addition Worcestershire County Council have clawed back £98k to cover their resulting funding gap, through reductions in funding to the Essential Living Fund and other services.
- 3.7 With the reduction in RSG it is now more difficult to quantify the absolute financial impact. An estimation, based on losing 10% grant, the shortfall for the District Council and other major preceptors in 2015/16 is estimated at £324k and is split as follows:
- Bromsgrove District - £45k
  - Worcestershire County Council - £224k
  - Police Authority - £39k
  - Fire Authority - £16k.

**3.8 Timeline of decision making from 2013**

- 3.8.1 The Local Government Finance Act 2012 requires each billing authority to consider whether to revise its scheme or to replace it with another scheme, for each financial year. The consultation with preceptors and any other interested parties would be a Cabinet decision as this would be solely a consultation exercise. Only the final decision on a proposed scheme would be a full Council decision as this would be a formal change to the budget and policy framework.
- 3.8.2 In September 2012 a report was taken to Cabinet to explain the changes to the Council Tax Benefit Scheme and for it to be replaced with the Council Tax Discount Scheme with a reduced level of Government funding.
- 3.8.3 Cabinet agreed to go out to consultation to assess the responses to one change in Council Tax Support. This being that future Council Tax Discount would be at a maximum level of that equivalent to a Band D property. This would mean that any homeowners in a Band E- H property would only receive the discount based on a Band D. In addition members agreed to consult on changes to exemptions in relation to empty properties and second homes to mitigate the impact of the reduction in funding.
- 3.8.4 A period of 8 weeks consultation was undertaken through the press, customer services centre and letters to BDHT, Parishes and Precepting bodies.
- 3.8.5 In January 2013 Cabinet received a report on the scheme and consultation response. There had only been 1 response received. In addition Cabinet received an update on a new Government Grant that had become available which would result the Council receiving the equivalent of full funding for 2013/14. Therefore Cabinet approved that the current "default" scheme would apply for 2013/14 and that a review would be undertaken for 2014/15. This was approved by Cabinet as there was no change to policy or any financial cost to the Council.
- 3.8.6 In July 2013 Cabinet received a verbal report on the position of the financial shortfall projected for 2014/15 for the Council Tax Support Scheme. Following discussion members recommended to keep the current "default" scheme as it was and to fund the £31k projected shortfall. This was agreed by full council with the £31k being met by the Council. It is worth noting that at this point the minutes of the Full Council meeting in July 2013 did not state the financial year that the £31k related to. The full minute was :

***RESOLVED that notwithstanding the previous decision review the Council Tax Benefit Scheme, in the circumstances outlined no further action be taken and the remainder of the shortfall of approximately £31,000 be met by this Council.***

- 3.8.7 In addition in February 2014 Full Council approved the budget which included a claw back, equivalent to the shortfall in 2014/15 Council Tax Discount funding, of £98k to the County Council.
- 3.8.8 From a decision making point of view, officers assumption was that as the £31k related to 2014/15 members would be reviewing the scheme again for 2015/16. The agreement to go to consultation on this basis would be a cabinet decision as it is purely consultation and the results of which would have to go back to Cabinet and Council to agree a final scheme to implement.
- 3.8.9 Therefore the report to the Cabinet in July 2014 was to commence a review of the scheme and to undertake consultation for 2015/16 as officers understood that a review had to be undertaken each year. It is appreciated that this requirement was not made clear to members within any of the previous reports.
- 3.8.10 A full consultation was commenced (rationale for consultation explained below). This was retracted shortly after the Full Council meeting with all residents having an individual retraction letter.
- 3.8.11 The minute at Full Council in July 2014 stated:

***RESOLVED that consideration of the Council Tax Support Scheme consultation be referred back to the Cabinet for further consideration and recommendation to Council.***

Therefore, on this occasion, the request to carry out consultation will be a recommendation from Cabinet to Council. During future years, the consultation will be considered by Cabinet with any resulting proposed revised scheme being approved by Council.

**3.9 Costs associated with issues around the decisions and the abortive consultation**

- 3.9.1 A New Burdens grant has been received by the Council to fund any costs associated with the implementation of a Localised Council Tax Support Scheme. There is a current balance of £51k available with a further £66k estimated to be paid in 2014/15. Currently there have been software changes that have been funded from the original £84k that was initially received.
- 3.9.2 An estimation has been made of the direct costs (stationery etc) and officer time that has been spent on the consultation, retraction and discussions on the issue. The officer time is not an additional cost to the Council as the tasks have been undertaken within the current duties. An estimate of cost is:
- Abortive Consultation (including retraction ) postage costs - £4,770
  - Officer time – post team, revenue officers, finance officers - £800
  - Senior Officer time – meetings / preparation of further reports - £3,500

- Additional Meetings of Overview and Scrutiny, Cabinet , Council - £500 – this would include; Paper, Printing, Officer payments where applicable, Councillor travel claims based on recent claims for both meetings, Refreshment costs.

Total Cost of abortive consultation / discussion on issue and way forward £9,570

### **Consultation**

- 3.10 Before any changes can be made it is necessary to carry out statutory consultation with any major precepting authority which has power to issue a precept to the Council; then publish a draft scheme in such manner as the Council thinks fit; and then consult 'such other persons as it considers are likely to have an interest in the operation of the scheme'.
- 3.11 Officers felt that a preliminary public consultation, although not a statutory requirement before the regulations are drafted, would be a valuable way of gaining feedback and customer insight. Delegation is sought for the Head of Customer Access and Financial Support to undertake this consultation on the range of options suggested in Appendix 1, in order to inform potential changes to the regulations.
- 3.12 In determining the range of options, officers have considered a consistent approach to all benefits claimants to ensure that any proposed scheme is simple for residents to understand and in order to maintain or reduce administrative costs (which are borne by the District Council).
- 3.13 The proposed options for consultation are attached at Appendix 1 and include:
- Reduction in permitted capital/savings.
  - Cap maximum amount of support that can be claimed to:
    - 80%
    - 85%
    - 90%
  - Removal of Second Adult Rebate.
  - Cap support at a lower Council Tax Band.
  - Changes to non-dependent deductions.
- 3.14 Although there is no statutory requirement to do so it is also proposed that a reduction to the period of exemption for empty properties is consulted on as follows:
- limiting the amount of Council Tax discount on short term empty property to 50% for 1 month (excluding new developments).

This would allow the Council the opportunity to gain feedback on the potential impact this may have on residents.

3.15 Total costs of the proposed consultations are estimated to be:

- New Consultation - £2,650
- Consultation responses analysed & collated - £1,300
- 2<sup>nd</sup> consultation on final proposed scheme ( on-line) - £500
- Senior officer time - £1,700

Total cost of proposed consultation £6,150

3.16 Appendix 1 also provides an estimate of savings for each of the options, where it is possible to make an estimate, number of claims affected, and other comments relating to the option.

3.17 It should be remembered that any reduction in Council Tax Support will result in more Council Tax to collect. There will be an impact on working age residents who are on low income and they may not previously have had to pay any Council Tax. Individuals will be offered support and advice on managing their finances.

3.18 Evidence locally suggests that where all Council Tax payers are required to pay something towards their Council Tax there has not been a major impact on collection rates. An increase in early stage recovery action was reported but where these arrangements have now been in place for two years it can be seen that regular payment is now being maintained.

3.19 In addition registered social landlords across the County have reported that it is not possible at the moment to connect changes to Council Tax Support and rent arrears and that there has been no evidenced impact on collection rates so far that relates to the Council Tax increases. Officers are working with BDHT to assess the likely impact on their tenants of any change.

3.20 A small Hardship Fund has been put in place in many areas which has been used to provide short term transitional support for those assessed to be in the very greatest hardship. Whilst take up on this has been low, it has provided officers with the ability to carry out assessment of need, often in the claimant's own home, and help to provide a range of support options to improve the resident's financial independence. Worcestershire County Council has confirmed that it will contribute £25k to this provided we put a scheme in place that covers the total funding gap. A scheme would have to be developed should Bromsgrove decide to implement a revised scheme.

**Legal Implications**

- 3.21 As the billing authority the Council is required by the Local Government Finance Act 2012 to consider whether to revise its scheme or to replace it with another scheme, for each financial year.
- 3.22 The Local Government Finance Act 2012 inserted a new schedule, schedule 1A into The Local Government Finance Act 1992.

The schedule provides certain matters that must be included in a Local Council Tax Reduction Scheme and the preparation that must be undertaken prior to the adoption or revision of a scheme.

Paragraph 3 of Schedule 1A provides that before making a scheme [or before revising a scheme] the authority must (in the following order):

- a) consult any major precepting authority which has power to issue a precept to it;
- b) publish a draft scheme in such manner as it thinks fit; and
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

**Service / Operational Implications**

- 3.23 It is proposed that an initial consultation be held from 1st September until 10<sup>th</sup> October 2014 and consist of:
- an online survey;
  - mailshot to a random selection of over 4,000 households across the whole district, to include a paper copy of the survey;
  - mailshot directly to preceptors and other major stakeholders such as registered social landlords;
  - copies of survey to be handed out, to customers requiring financial support, at the BDC Customer Service Centre and BDHT offices.

As in the previously aborted consultation the system will set to pull 10% of addresses from each parish/ward at random to achieve our desired number of addresses. This will ensure a sample from across the entire district as well as households regardless of whether they are currently in receipt of support; whether of pensionable age or working age. The circumstances of the households will not be taken into account at all as it was based on the property database. This enables a fair and balanced view from residents as the Council Tax Support Scheme impacts on all residents of the District.

This will be supported by press releases to local media to encourage residents to give their views, as well as social media messages. The questions from the

abortive consultation have been amended slightly to ensure they are more user friendly. The options are the same as in the original consultation.

This consultation would include the statutory prescribed consultation with major precepting authorities and an additional non-statutory public consultation asking for views on the shaping of the scheme.

Guidance on the duty to consult advises authorities where they carry out non statutory consultation they are under a duty to consult:

- a) representatives of Council Tax payers;
- b) those who use or are likely to use services provided by an authority; and
- c) those appearing to have an interest in any area within which the authority carries out functions.

Where the statutory provisions require consultation with persons likely to have an interest in the scheme the guidance suggests that this went beyond claimants of Council Tax Support and included:

- a. All Council Tax payers, whether in receipt of LCTS or not; the absorption of a cut to grant affects the manner in which the council can spend on services and all residents of the district therefore have an interest in the operation of the scheme.
- b. Registered Social Landlords whose tenants maybe in receipt of LCTS as cuts to the levels may impact on the ability of tenants to make payments.
- c. The advice sector, Age Concern, CAB etc.

It is this guidance that has shaped the proposed consultation at this stage which is intended to help inform any changes to the scheme.

In addition it is proposed that the survey is given out at BDHT offices and in the customer service centre to any customers who present at the offices, most specifically those in need of financial support. This will ensure that there is a wide range of residents who are able to respond to the consultation.

3.24 After this initial consultation, a report will be submitted to the Cabinet in early November 2014 to allow Members to consider the outcome of the consultation and a draft proposed Council Tax Support Scheme, which may or may not include changes to the current scheme.

3.25 A further period of statutory consultation on that draft Scheme must then take place ahead of final decision making by the Cabinet and Council in December/January.

This would be a lighter touch consultation held between 10<sup>th</sup> November and 5<sup>th</sup> December asking for comments on the proposals to be submitted via an online form or in writing.



Major preceptors and RSL's would be contacted directly, and residents and others would be advised via press releases and social media that draft regulations had been published and inviting comment. The estimated cost of this part of the consultation is minimal, with officers absorbing the additional work.

- 3.26 To be effective from April 2015 the Scheme must have been finalised and published by 31<sup>st</sup> January 2015. Due to the work required to prepare the regulations and guidance the scheme must have been agreed by early in January 2015.
- 3.27 If changes to the support scheme are agreed officers will work with residents identified as having specific needs to ensure that they are supported through the changes to mitigate the impact on their finances. This may be through money management or debt advice, or short term transitional relief. Officers will work with partners and voluntary sector organisations to pull in the support needed as and when it is identified.

**Customer / Equalities and Diversity Implications**

- 3.28 Any local scheme must provide full discount to claimants of pensionable age and should incentivise work for those of working age, whilst also protecting vulnerable groups, as far as possible. There is no definition of which groups count as vulnerable and it is for Councils to decide which groups of claimants might be classed as vulnerable and to determine methods to protect these groups.
- 3.29 The Council could maintain a small Hardship Fund to provide discretionary assistance, for the most vulnerable.
- 3.30 As any changes have a potential impact for all residents with liability for Council Tax the consultation must be open to all whether currently on benefits or not, and whether protected or not, to ensure that no one group is being treated more favourably. For this reason a random sample of households would be chosen from the Council Tax database to receive the mailshot
- 3.31 Although it is not necessary to consult on changes to discounts or exemptions for second or empty homes officers would recommend taking this opportunity to gain customer feedback on any potential changes.

**4. RISK MANAGEMENT**

- 4.1 Any changes to the Support scheme whilst increasing Council Tax income to the Council and our major preceptors would have implications for some of our residents. Officers would provide support as outlined above. In addition, the

collection rates and arrears position will be measured to ensure that Members are aware on the impact on the percentage of the debt collected.

**5. APPENDICES**

Appendix 1 - Local Council Tax Support (LCTS) Scheme – Consultation Options  
Appendix 2 – Consultation and decision-making timetable  
Appendix 3 – Proposed consultation document.

**6. BACKGROUND PAPERS**

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885)  
The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (SI 2012/2886)  
The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012 (SI 2012:3085)  
Local Government Finance Act 2012  
Localising Support for Council Tax – A Statement of Intent

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