

COUNCIL TAX SUPPORT SCHEME 2015/16

Relevant Portfolio Holder	Cllr Mike Webb
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 Government changes to the benefits scheme in relation to Council Tax requires the Council to introduce an annual Council Tax Support Scheme. The Council is required to implement a scheme which protects people of pensionable age, incentivises work and has provisions to support vulnerable person in financial hardship as a result of the scheme.
- 1.2 A draft scheme was agreed by Cabinet on 5th November 2014, which set out amendments to the level of support provided to claimants of working age
- 1.3 Following consultation on the draft scheme Members are now asked to consider the final scheme and to make recommendations to Council on the scheme to be implemented for 2015/16.
- 1.4 Adoption of the proposed scheme will meet the funding gap in Council Tax Support without the need for cuts in services elsewhere, or a referendum to increase Council Tax further. It would also ensure that for households with the same Council Tax liability there will be an equal cut to Council Tax Support in cash terms.
- 1.5 If the Council Tax Support Scheme is implemented as recommended Members are also asked to agree the implementation of a Hardship Fund. The adoption of the Hardship Fund will ensure that there is provision for supporting those most in need, and who experience financial hardship as a result of changes to Council Tax Support.

2. RECOMMENDATIONS

The Cabinet is asked to RECOMMEND:

- 2.1 to implement the Scheme, as amended, namely:
 - 2.2.1 that entitlement to Council Tax support be capped at 80% of Council Tax liability;
 - 2.2.2 the provision second adult rebate be removed; and

2.2.4 the future 'uprating' of some of the figures to take account of other national changes in benefits and allowances.

2.2 to agree the implementation of the proposed Hardship Scheme.

2.3 to make no changes to the provisions relating to non-dependents income.

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 The local schemes are now a discount rather than a benefit and an impact of the change to Council Tax Support was that the tax base for the Council was reduced by the total amount of any support given. Compensation for the loss of Council Tax was paid via a grant from the Government. The grant was equivalent to around 90% of the previous Council Tax Benefits costs - in effect, a 10% cut in 2013/14 to the funding available to provide support through our local scheme.
- 3.3 The cut in funding 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.
- 3.4 From April 2014 the funding for Council Tax Support was paid as part of the Revenue Support Grant (RSG), rather than as a separate identifiable grant. It is no longer possible to determine exactly the reduction to the funding that is provided for Council Tax Support. It is assumed that the reduction is 10% plus a further cut equivalent to the overall reduction in the RSG.
- 3.5 The total cost of Council Tax support for 2013/14 was estimated to be £4,500,000. The combined shortfall in funding for all preceptors was initially £437,500 with a shortfall for Bromsgrove District of £63,000.
- 3.6 The Council and precepting authorities took steps during the 2013/14 tax year to reduce the impact of the shortfall in funding for Council Tax support.
- 3.7 In April 2013 billing authorities were provided with more discretion regarding the levels of discounts for second and empty homes. The Council has used these powers and reduced the Council Tax discount on second homes from 10% to 0% and set the amount of Council Tax discount on short term empty properties at 50% for 6 months after which time the full Council Tax will be payable. (This

excludes new developments - newly built properties that enter the Valuation List for the first time, providing that they remain continually vacant, receive 100% discount for the first three months and then a 50% discount is applied for the next period of 3 months.)

- 3.8 The changes to Council Tax discounts has resulted in the “claw back” of approximately £30,000 of the shortfall in funding to the Council.
- 3.9 In addition Worcestershire County Council has clawed back £98k to cover their funding gap through reductions in funding to Bromsgrove Council for the Essential Living Fund and other services, and have indicated that they will be planning to similarly claw back funding in 15/16 if necessary.
- 3.10 It is difficult to quantify the absolute financial impact in 2015/16 of the reduction in funding for Council Tax Support because the funding is no longer separately identified. 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.
- 3.11 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 – including the costs of consultations, production of draft regulations, and changes to the Council’s software.
- 3.12 On an annual basis the Department of Work and Pensions will advise of changes to national benefits rates and personal allowances. These changes must be taken into account for housing benefit calculations and it is good practice to apply these to the Local Council Tax Support Scheme to ensure that it remains in line with other benefits. Any scheme agreed by the Council will require a mechanism for uprating these allowances to reflect changes at a national level.
- 3.13 The proposed scheme would save in the region of £325k and therefore meet the funding gap in respect of Council Tax Support.
- 3.14 In light of the results of the consultation it must be borne in mind that within the current budget proposal for 2015/16 there is already an estimated increase in Council Tax of 1.9%. In addition officers continue to identify further savings in order to deliver a balanced budget. Final decisions on the budget will be set in February 2015.

CONSULTATION

- 3.15 The results of the preliminary public consultation which was used to inform the draft scheme were reported to Cabinet on 5th November 2014.
- 3.16 The Cabinet agreed a draft scheme which proposed that entitlement to Council Tax support should be capped at 80% of Council Tax liability, removed the provision of second adult rebate; took account of non-dependents income; and enabled the future 'uprating' of some of the figures to take account of other national changes in benefits and allowances.
- 3.17 Further consultation on the draft scheme took place between 10th November and 9th December. Major preceptors, RSL's and all current claimants for Council Tax Support (2,414 households) were contacted directly and asked for their comments. Press releases and social media were used to try to ensure that all residents were aware that a draft scheme had been published and inviting comment.
- 3.18 The results of this consultation are attached at Appendix 1.
- 3.19 A total of 28 responses were received. 1 of which was from bdht, whose views were unchanged from the previous consultation, during which they set out their concerns about any changes to support for working age residents. 27 other responses were received. 4 of these did not confirm they were a resident of the district.
- 3.20 Of the responses 16 (59%) were from people who are currently in receipt of council tax support. Members will recall that a recent court case had made it necessary for us to contact this group of people directly for their views so it is unsurprising that the feedback from this group outweighs the number from non-claimants (6 – 22%). The results of the consultation are therefore less representative than those received in the first consultation.
- 3.21 67% of responders answered 'no' to the question 'Do you agree with the proposal to meet the shortfall in funding by capping the amount of Council Tax Support at 80%?'
- 3.22 Similarly 63% of responders were not in favour of making changes to the provision for non dependents income to be taken into account when assessing support.
- 3.23 Opinion was divided on how the shortfall in funding should be met:
- 7 responders stated that there should be a combination of cuts in services and a raise in Council Tax;
 - 5 responses were in favour of cuts to services;
 - 5 responses showed a preference for an increase in Council Tax; and

- 2 people did not respond to this question.
- 3.24 There was an even split on the question of whether second adult rebate should be removed.
- 3.25 There was strong support for a Hardship Fund to be established, with 85% in favour of such a scheme
- 3.26 There was a varied response to the question relating to which groups should be protected but the majority of support was for disabled people.

HARDSHIP FUND

- 3.27 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, and officers will use a range of options available to them to provide transitional support. In addition officers have discretions which can be applied where factors such as disability impact on an individual's ability to be reasonably expected to pay.
- 3.28 In order to provide transitional support for those assessed to be in hardship it is recommended that a small Hardship Fund be set up. 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 draft Policy is attached at Appendix 2.
- 3.29 The proposed Policy provides officers with the ability to carry out face to face assessment of need, and provide a range of support options to improve the resident's financial independence. Under the legislation, Officers also have other options available to them to provide discretionary support, and when carrying out any assessment all options would be explored. Neighbouring authorities have found that applications for hardship relief are relatively low, and that the majority of households only need short term support to help with the transition to paying a contribution to their Council Tax.
- 3.30 The Hardship Policy has been put together in consultation with bdht and officers from bdht and Bromsgrove District Council will work together to identify suitable support.

Legal Implications

- 3.31 On 1 April 2013 Council Tax Benefit was abolished and replaced by a new scheme of Council Tax support called "Council Tax Support Schemes". Under s13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by s10 Local Government Act 2012); each local authority was required to make a

Council Tax Support Scheme specifying the reductions which are to apply to the amounts of council tax payable.

- 3.32 Statutory Instrument 2012/2885, "The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012" ensured that certain requirements prescribed by the Government were included in each Scheme (subsequently amended by S.I. 2012/3085)
- 3.33 The Authority must publish revised Regulations relating to the Scheme no later than 31 January in the financial year preceding the one when it will take effect, so that it will be necessary for the Council's 2015/16 scheme to be in place by 31st January 2015.
- 3.34 Failure to agree a new scheme would result in the current scheme continuing to apply and a subsequent funding gap would emerge for both the District Council and other preceptors, which could result in challenge from those organisations.
- 3.35 The Hardship Fund Policy will be published on the Council's website to ensure openness and transparency.

Service / Operational Implications

- 3.36 Income recovery and financial support officers will work to ensure that residents are supported through any changes to mitigate the impact on their own finances together with those of the District Council and preceptors. Additional training has been provided to staff in budget management to support our residents in managing their finances.
- 3.37 There may be a requirement to make changes to software however this will be dependent on the revisions to the scheme that are finally approved.
- 3.38 Staff will be provided with training and guidance in relation to the Council Tax Hardship Fund and dealing with applications.
- 3.39 The provision of support through the Council Tax Hardship Fund is in line with our purpose to help people to be financially independent. Staff will also consider other avenues of support to help the applicant back to financial independence.

Customer / Equalities and Diversity Implications

- 3.40 The changes will not disproportionately impact on those with special protected characteristics under the equality duty and the discretionary hardship fund will minimise any adverse impact caused.
- 3.41 The Equality and Diversity Forum discussed the proposal at their meeting on 27th November, 2014. Whilst understanding the context in which these proposals

decisions were being made there was concern about the impact reduction in support might have. They were also not in support of the changes to the non-dependent deductions when the claimant is entitled to a disability premium. The Forum indicated that they did think that the proposed hardship fund was a good idea but stressed the importance of ensuring that people be made aware of it.

Individual feedback from members of the Forum has been included in the consultation results.

- 3.42 In light of feedback both through the consultation and from the Equality and Diversity Forum it is proposed that there is no change to the provision in respect of non-dependents income as this is likely to impact most greatly on disabled persons who have someone living with them.

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 approximately 2,500 residents. Officers would provide support through discretionary relief, and other financial support mechanisms.
- 4.2 Council Tax collection rates may reduce and officers will closely monitor the arrears position and ensure that Members are made aware of the impact on the percentage of the debt collected.
- 4.3 Recovery action is likely to increase, at least in the first year. Officers will ensure that recovery action does not result in escalating costs for any individual impacted by this change unless all other avenues have been exhausted.
- 4.4 A Local Council Tax Support Scheme for 2015/16 must be agreed by Council and published by January 2015 to be effective from April 2015. If no changes to the existing scheme are agreed the current scheme will be amended to take account of 'uprating' of other national benefits but otherwise will be unchanged.

5. APPENDICES

Appendix 1 - Draft Local Council Tax Support (LCTS) Scheme – Consultation Results
Appendix 2 – Draft Hardship Scheme

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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