

Report of the Head of Finance

CONSULTATION ON LOCAL COUNCIL TAX SUPPORT 2014/15 PROPOSALS

1 Purpose of Report

- 1.1 To update Councillors on the Council Tax Support Scheme (CTS) for 2014/15
- 1.2 To seek approval to commence a consultation process on the 2014/15 CTS scheme.

2. Executive Summary

- 2.1 In the Spending Review 2010, the Government localised financial support for Council Tax and reduced overall expenditure by 10%, which resulted in a reduction of £603,000 in the funding available for Wellingborough. In December 2012, a meeting of the Full Council approved our Council Tax Support Scheme (CTS) for 2013/14 which was subsequently eligible for transitional funding. Approximately 3,100 working age claimants were required to make a contribution of up to 8.5% of their Council Tax liability.
- 2.2 Each year the scheme must be approved by Full Council before 31 January, even when the scheme is unchanged. Any proposed changes to the scheme require public consultation and consultation with preceptors before they can be approved.
- 2.3 There will be no transitional funding available to support the local scheme during 2014/15 and this financial pressure must be met from within the Council budget.

3 Appendices

- 3.1 None

4. Proposed Action

- 4.1 The Committee is invited to RESOLVE to note the changed scheme proposals and provide comments prior to the formal public consultation commencing on 1st October 2013.

5. Background

- 5.1 Following the abolition of the national Council Tax Benefit scheme in the Welfare Reform Act 2012, the Local Government Finance Act 2012 laid down regulations which set out the process by which Councils must approve a local Council Tax Support Scheme. The regulations included protection for pensioners by retaining similar provisions to the old Council Tax Benefit scheme, but allowed Councils to make changes in the way that support was calculated for working age claimants. The amount of Government grant available to meet the cost of any support was reduced by 10% nationally, although that equated to a 13% reduction for this authority.
- 5.2 The Government has indicated its intention to make the same amount of grant available to fund CTS during 2014/15. However this grant is to be incorporated into the Revenue Support Grant (RSG) payment and we are unlikely to be able to extrapolate the exact amount of payment. Overall the spending round announcements indicate a likely further reduction to funding of about 16%. This introduces a further financial pressure on the funding of the CTS scheme for 2014/15.
- 5.3 Central government had indicated that there will be no repeat of the transitional funding made available to those authorities who restricted the reduction in liability to no less than 91.5% of the liability in 2013/14.

6 Council Tax Support scheme 2014/15 - Proposed Options for Consultation

- 6.1 **OPTION 1: The default Council Tax Reduction Scheme will be adopted with the local amendment that only 75% of the Council Tax liability would be used in the entitlement calculation for working age customers.**

Illustration 1:

A couple with children, living in a Band A property and in receipt of Income Support, have a Council Tax liability of £916.27. Under this option they would have to pay £229.07 per year or about £4.41 per week because their entitlement would be based on 75% of the Council Tax liability.

- 6.2 **OPTION 2: The default Council Tax Reduction Scheme will be adopted with the local amendment that only 80% of the Council Tax liability would be used in the entitlement calculation for working age customers.**

Illustration 2:

A couple with children, living in a Band A property and in receipt of Income Support, have a Council Tax liability of £916.27. Under this option they would have to pay £183.26 per year or about £3.52 per week because their entitlement

would be based on 80% of the Council Tax liability.

The existing scheme defaults to 80% of liability for 2014/15, without the transitional funding.

6.3 OPTION 3: The default Council Tax Reduction Scheme will be adopted with the local amendment that only 91.5% of the Council Tax liability would be used in the entitlement calculation for working age customers.

Illustration 3:

A couple with children, living in a Band A property and in receipt of Income Support, have a Council Tax liability of £916.27. Under this option they would have to pay £77.88 per year or about £1.50 per week because their entitlement would be based on 91.5% of the Council Tax liability.

6.4 This option would result in no change for CTS recipients. They would pay the same in 2014/15 as they did in 2013/14. However this would increase financial pressure on the scheme as there will be no transitional funding for 2014/15. The preceptors and billing authorities would need to absorb the financial pressures with in their revenue budgets as no further changes to the tax base through discounts and exemptions could be made to mitigate these pressures.

6.5 In 2013-14 the transitional grant allocation was as follows:

Borough Council of Wellingborough	£ 12,935
Northamptonshire County Council	£ 89,959
Northants Police	£ 16,905
Total	£119,799

6.6 What likely impact would these changes have?

This table shows the amount of Council Tax payable assuming someone is entitled to the maximum Council Tax Support

Band	Your Council Tax charge this year	The amount of Council Tax you pay now	Amount you would pay if you had to pay 8.5% of your bill	Amount you would pay if you had to pay 20% of your bill	Amount you would pay if you had to pay 25% of your bill
A	£916.27	£77.88	£77.88	£183.25	£229.07
B	£1,068.98	£90.86	£90.86	£213.80	£267.25
C	£1,221.69	£103.84	£103.84	£244.34	£305.42

D	£1,374.40	£116.82	£116.82	£274.88	£343.60
E	£1,679.82	£142.78	£142.78	£335.96	£419.96
F	£1,985.25	£168.75	£168.75	£397.05	£496.31
G	£2,290.67	£194.71	£194.71	£458.13	£572.67
H	£2,748.80	£233.65	£233.65	£549.76	£687.20

6.7 The first and third options will require changes to the current CTS and will have to be subject to public consultation to inform any decision

7 Timetable

7.1 The grant timetable is such that the consultation relating to the LCTS design for 2014/15 will have to be undertaken before the final financial details of the grant settlement are known.

7.2 A range of options have been suggested, which have variable impacts on CTS recipients and on the council's budget. To be meaningful, the consultation must offer a range of alternatives and be based on the views of a statistically significant proportion of the taxpayer base. By commencing the consultation on 1st October 2013, this will allow sufficient opportunity to meet these constraints. Simple options also provide the best opportunity to achieve statistically proportionate results with higher levels of confidence in the outcomes.

7.3 The final decision regarding scheme design will rest with Full Council.

8 Legal Powers

8.1 Local Government Finance Act 1992

8.2 The Welfare Reform Act 2012

8.3 The Local Government Finance Act 2012

9 Financial and Value for Money Implications

9.1 There is a risk that Council Tax arrears will increase as a result of the local scheme as less support will be available to residents on a low income which will affect their ability to pay. The cost of collection will also rise as more resources will have to be deployed servicing accounts in arrears. There is a further consequential risk that higher levels of default will increase write offs.

9.2 CTS changes will need to be reflected in the calculation of the Council Tax base. The government has now issued amended Council Tax base regulations to allow for this adjustment.

- 9.3 The grant funding from the government will be part of a wider financial settlement and paid at the start of the year, in advance of any actual expenditure. As there will be no provision for in year adjustments, any risk of increases in expenditure caused by rising caseloads will be met locally.

10 Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Missing deadline for local scheme adoption Jan 2014	Council forced into default scheme	Unlikely	Project approach Early identification of high level options
Affordability of local scheme for customers	Increased Council Tax arrears	Likely	Proactive recovery process
Scheme open to legal challenge	Reputation loss or claim	Possible	Appropriate consultation and EqIA
Software and systems not ready to calculate awards	Financial / reputation loss	Unlikely	Simple amendments applied to the default scheme
Council not able to recover increase in arrears	Collection fund deficit / increased budget pressure	Possible	Prudent financial planning / proactive recovery
Funding shortfall is higher than anticipated in the financial settlement	Increased financial burden	Likely	Prudent financial planning / contingency
Increase in claimant levels due to higher take up.	Collection fund deficit / increased budget pressure	Possible	Prudent financial planning / contingency

11 Implications for Resources

11.1 None

12 Implications for Stronger and Safer Communities

12.1 None

13 Implications for Equalities

- 13.1 The EqIA screening for the existing scheme identified a number of adverse effects of the proposed changes. The impact on individuals with 'protected characteristics' is analysed below and reasonable adjustments have been considered to mitigate negative impacts. By adopting the default scheme as a basis we have created a scheme that has similar equalities implications as that proposed by central government.
- 13.2 Age: People of pension age (currently 3078 or 44% of benefit claimants) are protected by the government from the changes. People of working age will be adversely affected and will have to contribute proportionally more in order to protect older people. In addition, due to predicted increases in the older population in the Borough this proportion is likely to increase in the future. Children of lone parents, particularly disabled children and those aged under three, are likely to be adversely affected due to the inability of parents to undertake paid work to increase income. It is reasonable to assume that the majority of these lone parents are female. The majority of our claimants are female (65%), 188 claimants have a disabled child or youth. The consultation has shown that residents of the Borough are generally in favour of working age claimants contributing to their Council Tax. Working age claimants could not be exempted without a significant shortfall to the revenue budget.
- 13.3 Disability: People with disabilities are not explicitly protected from the changes and although it is accepted that some will be unable to work, others do work or are able to work. People with disabilities are entitled to additional welfare benefits aligned to their needs. Based on receipt of Disability Living Allowance (DLA), a total of 257 working age GTS customers are currently classified as severely disabled, and an additional 415 are classified as disabled. Pension aged claimants receiving DLA will be fully protected. The government has not applied the same protection to working age people with disabilities in the default scheme, however income and capital are assessed and support adjusted to take into account individual circumstances. Income from certain other benefits e.g. DLA will be fully disregarded in this calculation. Income from War Disablement Pensions or War Widow's Pensions and the Armed Forces Compensation Scheme will continue to be locally fully disregarded.
- 13.4 Gender reassignment: Whilst local figures are unavailable for transgender people, national statistics indicate that there is a very small number in Wellingborough (approx 20). However adverse employment effects are likely whilst transgender people are changing their sexual identity. In light of the small numbers affected no exemption is proposed.
- 13.5 Marriage and civil partnership/pregnancy and maternity:
The changes will have a negative impact on single parents most of whom will be

female and many of whom will have young children or children with disabilities making it difficult for them to work. Overall 65% of our claimants are women. Claimants in this category could not be exempted without a significant shortfall to the revenue budget.

- 13.6 Race: National trends indicate minority groups are more likely to be unemployed. There are also potential language barriers to people understanding the changes and these will be addressed through a communications plan. Statistics show that 11 % of the population of the Borough are from Black and Minority Ethnic backgrounds, so it is reasonable to assume that at least 400 claimants will fall into this category and could not be exempted without a significant shortfall to the revenue budget.
- 13.7 Sex: The changes will have a negative impact on single parents and carers, most of whom will be female. Female claimants could not be exempted without a significant shortfall to the revenue budget.
- 13.8 Government policy has resulted in the Council's funding being reduced, meaning that the shortfall has to be met either through reductions in Council Tax support and exemptions, or through increases in council tax/cuts in services. We do not expect any repeat of the Transitional Grant Scheme which allowed BCW to reduce the impact of the CTS changes in 2013/14.
- 13.9 The council will employ it's discretion during the recovery process where vulnerability is identified. Statutory minimum levels of deduction will be applied in recovering payments due from affected claimants. It should be noted that Discretionary Housing Payments are not available to those solely experiencing a shortfall in their CTS.

14 Authors and Contact Officers

David Kearney, Benefits Supervisor
Nigel Robinson, Principal Revenue & Benefits Manager

15 Consultees

Liz Elliott, Head of Finance

16 Background Papers

Local Government Finance Act 2012,
Report to Resources Committee September 2012
Equality Impact Analysis

