

Report of the Principal Revenue and Benefits Manager

LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16

1 Purpose of Report

- 1.1 To advise members on the Borough Council of Wellingborough's Local Council Tax Support (CTS) scheme for 2015/16 and subsequent years.

2 Executive Summary

- 2.1 The CTS annual total expenditure is predicted to be in the region of £4,050,000 for 2014/15, which is less than previously reported. At the half year position, the scheme is self-financing and does not present any additional burden on the revenue budget. There is currently no requirement to make changes to the existing scheme.

3. Appendices

- 3.1 There are none.

4 Proposed Action:

- 4.1 The Committee is invited to RESOLVE that no change is made to the Borough Council of Wellingborough's Local Council Tax Support (CTS) scheme for 2015/16.**

5 Background

- 5.1 Local Council Tax Support (CTS) schemes replaced the national Council Tax Benefit scheme (CTB) in April 2013. The funding for CTS changed from the previous regime, where full subsidy was paid by central government on all properly paid CTB, to a fixed grant, which formed part of the overall funding of the council.
- 5.2 The local scheme for this Borough was agreed by council on 12 December 2012 and a full equalities impact assessment completed.

- 5.3 The original proposal for the commencement of the scheme was that support would follow the government default scheme, with support calculated using 80% of Council Tax liability for all working age customers. A full consultation exercise was carried out in autumn 2012 and this informed the decision making as 68% of the 368 respondents supported the proposal.
- 5.4 Following the end of the consultation period, an announcement was made by Government that transitional funding would be made available for 2013/14 for those authorities whose schemes met certain criteria, notably that the reduction should be no less than 91.5% of the council tax liability. Members agreed that this transitional funding should be applied for, and the scheme was amended such that 91.5% of council tax liability was available for support in 2013/14.
- 5.5 Following the withdrawal of transitional relief for subsequent years and further pressures on the financial settlement for 2014/15, members agreed to amend the CTS schemes for 2014/15. At the Resources Committee on 11 December 2013 the scheme was amended so that a maximum of 80% of the Council Tax liability was used in the entitlement calculation.
- 5.6 **People of pension age are protected**
The default scheme protects people of pension age from local changes. Any person of pension age continues to be entitled to support of up to 100% of Council Tax liability in the same way as if they had applied for Council Tax Benefit. There has however been an impact that the remaining burden of funding reductions has been borne by working age benefit claimants. It has been estimated that for the scheme to remain fully self financing, that working age claimants would have to continue to make a contribution of at least 20% to their council tax charge.
- 5.8 Income from certain other benefits e.g. Disability Living Allowance or Personal Independence Payments is fully disregarded under the local scheme. Income from War Disablement Pensions of War Widow's Pensions and the Armed Forces Compensation Scheme will also continue to be fully disregarded.

5.9 **Uprating**

The local CTS scheme will continue to be uprated annually to allow for changes in premiums, allowances and non-dependant deductions in accordance with periodic announcements made by the Department for Work and Pensions.

6 Discussion

6.1 **Current scheme provisions**

The current scheme allows for up to 80% of the Council Tax liability to be used in the entitlement calculation for working age people. An illustration of what working age people are required to pay is shown below.

Illustration :

A couple with children, living in a Band A property in Wellingborough and in receipt of Income Support, have a Council Tax charge of £934.51. In 2014/15 they are required to pay 20% of this, they would have to pay £186.90 per year or about £3.60 per week because their maximum entitlement would be based on 80% of the Council Tax liability.

- 6.2 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	Amount you would pay if you had to pay 20% of your bill
A	£934.51	£186.90
B	£1,090.24	£218.05
C	£1,246.01	£249.20
D	£1,401.75	£280.35
E	£1,713.26	£342.65
F	£2,024.75	£404.95
G	£2,336.26	£467.25
H	£2,803.50	£560.70

- 6.3 As at 30th September 2014, monitoring estimates show that the existing scheme is self-funded, taking into account the 20% contributions made by working age claimants to paying Council Tax. Based on the evidence currently available, the risk of the existing caseload rising in the short term appears low.
- 6.4 The national change to local CTS schemes has an impact on the tax base for the area. Under the old scheme CTB was paid against the full council tax liability, however in the new scheme CTS is awarded as a discount, thus reducing liability and the taxbase for the local area. The main impact of this was felt in the 2013/14 taxbase calculation but is present again in the 2014/15 calculation.
- 6.5 A public consultation exercise for the existing scheme was undertaken in October and November 2013. Survey techniques were utilised to try and achieve a balanced view of the proposals. These included an electronic feedback form on the Council website, writing to various welfare groups and to all persons on the Council's consultation database, direct surveys of benefit claimants visiting the Council offices and direct surveys of the general public in supermarkets and outside the Swansgate shopping centre. There is no requirement to repeat public consultation if the scheme remains unchanged.
- 6.6 The Treasury has recently announced that, following settlement of a judicial

review, that they will reconsider how local welfare provision will be funded in 2015/16. This funding does not directly affect the local CTS scheme; however it provides assistance for people in crisis and short term financial difficulties. The local welfare provision provided mitigation within the EQIA for the scheme.

- 6.7 In view of the above information, the officer's recommendation is that no change is made to the existing scheme for 2015/16.

7 Legal Powers

- 7.1 Local Government Finance Act 1992
 7.2 The Welfare Reform Act 2012
 7.3 The Local Government Finance Act 2012

8 Financial and Value For Money Implications

- 8.1 The CTS annual total expenditure is predicted to be in the region of £4,050,000 for 2014/15, which is less than previously reported. At the half year position, the scheme is self-financing and does not present any additional burden on the revenue budget.
- 8.2 Council Tax collection is holding up well and early indications are that there is only a small increase in arrears, due to residents on low incomes spreading their instalments over the full twelve months of the year. More resources have been deployed in servicing accounts; however this has been achieved within existing budgets.
- 8.3 Local Council Tax reductions are reflected in the calculation of the Council Tax base.
- 8.4 The grant funding from the government is part of a wider financial settlement and paid at the start of the year, in advance of any actual expenditure. As there is no provision for in year adjustments, any risk of increases in expenditure caused by rising caseloads will be met locally.

9 Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Affordability of local scheme for customers	Increased Council Tax arrears	Probable	Proactive recovery process
Legislative timetable very challenging	Insufficient time to amend Council Tax bills	Unlikely	Careful management.

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	Possible	Prudent financial planning / contingency

10 Implications for Resources

10.1 No implications foreseen.

11 Implications for Stronger and Safer Communities

11.1 None

12 Implications for Equalities

12.1 A full EQIA was carried out for the introduction of 2013/4 scheme. An EQIA screening on the options for the 2014/15 scheme was carried out in September 2013. The EQIA screening identified a number of potential adverse effects of the proposed changes, and as a result of this, a full EQIA was again carried out.

13 Author and Contact Officer

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14 Consultees

Liz Elliott, Head of Finance

15 Background Papers

Local Government Finance Act 2012,
DCLG Local Govt Financial Settlement Provisional 2014/15
(<http://www.local.odpm.gov.uk/finance/1314/settle.htm>)

