

Report of the Principal Revenue and Benefits Manager

LOCAL COUNCIL TAX SUPPORT SCHEME 2016/17

1 Purpose of Report

- 1.1 To advise members on the Borough Council of Wellingborough's Local Council Tax Support (CTS) scheme for 2016/17 and subsequent years.
- 1.2 To seek approval to commence a consultation process on the 2016/17 scheme.

2 Executive Summary

- 2.1 The CTS annual total expenditure is predicted to be in the region of £4,350,000 for 2016/17, which is more than the existing budget. The scheme should be designed to remain broadly self-financing and not an additional burden to the revenue budget. Due to several technical changes to the calculation of entitlement, the forthcoming introduction of Universal Credit and proposed changes to welfare in the summer budget, it is necessary to consult on the scheme for 2016/17. New case law recommends that it is best practice to consult on any changes to the scheme.

3. Appendices

- 3.1 There are none.

4 Proposed Action:

- 4.1 **The Committee is invited to RESOLVE to consult on technical changes to the Borough Council of Wellingborough's Local Council Tax Support (CTS) scheme for 2016/17.**

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 a full subsidy paid by central government on all properly paid CTB, to a fixed grant, which now forms part of the central government funding of the council. This funding in overall terms is falling at a significant rate and predictions for future

budgets are that it will fall even further.

- 5.2 The local CTS scheme for this Borough was amended in 2014/15 so that a maximum of 80% of the Council Tax liability was used in the entitlement calculation, leaving 20% to be paid by the council tax payer. There was no change to the scheme for 2015/16 and as such no further consultation.

5.3 **People of pension age are protected**

Under these local arrangements people of pension age are protected from any 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. However recent summer budget welfare changes and the introduction of Universal Credit require the consideration of technical changes to ensure compatibility with other national schemes.

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 £949.95. In 2015/16 they are required to pay 20% of this, they would have to pay £189.99 per year or about £3.65 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	£949.95	£189.99
B	£1,108.28	£221.66
C	£1,266.61	£253.32
D	£1,424.93	£284.99
E	£1,741.58	£348.32
F	£2,058.24	£411.65
G	£2,374.88	£474.98
H	£2,849.86	£569.97

- 6.3 It is proposed to consult on 3 potential schemes:
- retaining the existing liability calculation of 80% as shown above,
 - reducing the amount of liability used in the scheme to 75% or
 - increasing the level used to 85%.
- 6.4 Further technical amendments are proposed below which result from changes to regulations and the introduction of Universal Credit (UC).
- 6.5 Withdraw family premium from the entitlement calculation for CTS. This will align with the summer budget proposed change to be made to the housing benefit regulations with effect from 1st April 2016 for new claims. The change will address a potential inequality between those working age people claiming CTS who have children and those who do not.
- 6.6 Align the dates over which employment income is taken into account in the calculations of CTS and housing benefit.
- 6.7 Align the backdating provisions within the local CTS scheme to the summer budget proposed changes for housing benefit regulations.
- 6.8 The Universal Credit rollout requires us to amend the calculations of applicable amount and income in the CTS scheme for persons in receipt of UC. This will ensure equality between CTS claimants who receive UC and those who do not.
- 6.9 **Consultation**
A public consultation exercise for the existing scheme was undertaken in October and November 2013. Different 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.

- 6.10 Recent case law has directed councils to undertake meaningful consultation on local council tax schemes, even if the scheme provisions remain unaltered. It is proposed to utilise similar techniques to our previous consultation exercises, which have yielded statistically significant results.
- 6.11 In view of the above information, the officer's recommendation is that consultation is undertaken on the above scheme changes and a further report is brought back to members to consider adoption of the scheme changes by the regulation deadline of 31st January 2016.

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 £4,350,000 for 2016/17, which is an increase of £300,000 on estimates which were previously reported. As at 1st September 2015, monitoring estimates show that the existing scheme is broadly 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.
- 8.2 Council Tax collection has held up well since the introduction of the local CTS scheme and there has only been 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 Any changes to local CTS schemes also have an impact on the tax base for the area. This affects the tax base for not only the borough council but also parishes, the county council and the Police and Crime Commissioner. Under old scheme measures Council Tax Benefit was paid against the full council tax liability, however in the current scheme CTS is awarded as a discount, thus reducing liability and the tax base for the local area. If the CTS scheme remained unaltered, the impact of the recent budget changes would still cause a further reduction in the 2016/17 tax base. The resulting consequence of this is an additional budget pressure for 2016/17 and following years for all major preceptors.

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 or other further national changes will have to be met locally. Universal Credit will be introduced in the borough from 28th September 2015 and therefore financial implications of the future full rollout must be taken into account when considering future local support scheme design.

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
Regulatory 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.
- 12.2 An EQIA screening will be undertaken for the amendments to the scheme being consulted on.

13 Author and Contact Officer

Nigel Robinson, Principal Revenue and Benefits Manager

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>)