



Cabinet Meeting

10 December 2014

Report title	Local Council Tax Reduction Scheme 2015/16 Onwards	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Revenues and Benefits	
Accountable employee(s)	Sue Martin	Head of Revenues and Benefits
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Report to be/has been considered by	Council	17 December 2014

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Review the consultation feedback and equalities analysis.
2. Approve the Local Council Tax Discretionary Discount Policy.
3. Recommend that Council:
 - 3.1. Notes the feedback from consultation.
 - 3.2. Notes the equality analysis.
 - 3.3. Approves a revision to the local council tax reduction scheme so that the basis on which support is calculated is revised from 88% to 78% of gross liability.
 - 3.4. Approves that within the scheme, households with the following characteristics are protected and will continue to have their entitlement calculated on 88% of gross liability.

- where the claimant or their partner is severely disabled
 - where there is a severely disabled child
 - a single person under 25 years of age without dependents
- 3.5. Approves that for 2015/16 and each subsequent year needs allowances, premiums and non-dependent deductions used to calculate entitlement are uprated using the percentages set by Government for the Prescribed Scheme.
- 3.6. Approves the revised scheme for adoption from 1 April 2015.
- 3.7. Authorises the Cabinet Member for Resources in consultation with the Strategic Director Delivery, to make any consequential amendments to the Council's Constitution.

The recommendations above make reference to a number of specific documents for review and approval. Those documents are:

- Consultation feedback report - appendix (i)
- Equality analysis summary - appendix (ii)
- Council Tax Discretionary Discount Policy - appendix (iii)
- Wolverhampton S13A Scheme 2015 - appendix (iv)

1.0 Purpose

- 1.1. This report seeks approval from Cabinet to submit the local council tax reduction scheme to Full Council with a recommendation that the proposed revisions to the scheme be adopted from 1st April 2015.

2.0 Background

- 2.1. From April 2013 the Council implemented its own local council tax reduction scheme to replace council tax benefit which had been abolished. Government continues to set the rules for pensioners and so the local scheme applies only to working age families.
- 2.2. The abolition of council tax benefit was accompanied by a reduction in Government funding for council tax support. In Wolverhampton the impact was estimated to create a pressure of £3.2 million, a combination of the loss of £2.7 million grant funding and £500,000 in lost council taxbase.
- 2.3. A transitional scheme was implemented for 2013/14 following a decision by Council on 23 January 2013. The Council received a one-off Government grant of £600,000 towards the cost of the scheme, but this still left a gap of £1.9 million which was ultimately funded through other savings and the use of reserves approved as part of the Medium Term Financial Strategy for 2013/14.
- 2.4. Further changes to the local scheme in 2014/15 were approved by Council on 18 December 2013. These changes reduced the cost of the scheme but not to the full extent of the loss in Government funding. As in the preceding year the gap between Government grant and the cost of the scheme was funded through other savings and use of reserves approved as part of the Medium Term Financial Strategy for 2014/15.
- 2.5. This strategy of using alternate means to offset the funding shortfall has allowed the Council to offer some degree of protection to households receiving support. The Council now faces a potential funding gap of £123 million for Council services by 2018/19.
- 2.6. The Council's overall financial position means that to continue to fund the scheme at current levels is unaffordable, whether from within the budget or from reserves. Although the Council continues to consider all options to deliver savings in order to balance the budget, a projected £37 million of savings are still required by 2018/19, therefore if the scheme was not revised alternative savings would have to be identified, which would increase the projected budget deficit to nearly £38 million by 2018/19. All alternative savings are therefore actually already required to address the remaining projected £37 million.
- 2.7. On 23 July 2014 Cabinet agreed to publish, for consultation, a proposed scheme containing the following revisions:
 - a) The basis on which support is calculated is revised from 88% to 78% of gross liability.

- b) Within the draft scheme, households with the following characteristics will be protected and will continue to have their entitlement calculated on 88% of gross liability.
- where the claimant or their partner is severely disabled;
(defined as any household where the claimant or partner receives the higher rate of disability living allowance or the enhanced daily living component rate of personal independence payment)
 - where there is a severely disabled child;
(defined as households that include a dependent child who is entitled to receive the disabled child premium)
 - a single person under 25 years of age without dependents

2.8. A draft revised scheme was published for consultation on 11 August 2014 as part of a comprehensive public consultation exercise.

2.9. The recommendations set out in this report take into account the levels of savings the Council needs to make as a result of the cut in Government grant, whilst still providing support to working age residents on low incomes with the majority of their council tax.

3.0 Revisions to the Scheme – key principles

3.1. A wide range of issues have been considered in designing the scheme as now proposed, including:

- a) The Government's "Statement of Intent" issued in May 2012, Regulations and other guidance relating to vulnerable people and work incentives.
- b) Feedback received from public consultation.
- c) An assessment of the impact on equalities.
- d) Incentivising work and alignment with emerging Universal Credit proposal.
- e) Maintaining, where appropriate, key elements of the council tax benefits scheme.
- f) The impact on collection rates for council tax (including the impact on major precepting authorities) and the administrative costs of the scheme.
- g) The reduction in Government funding for council tax support nationally and the direct impact on the Council's overall financial position.

3.2. Taking into account the equalities assessment and analysis of comments received during consultation, the key features of the scheme as now recommended are:

- a) Support for people of working age will be provided through a means tested reduction.
- b) There will be a discretionary hardship scheme to provide additional assistance in exceptional circumstances to the most vulnerable.
- c) The scheme should continue to disregard in full war disablement pensions and pensions for war widows and widowers.
- d) Protection for households that appear either least able to work or least able to afford any increase in contribution.

3.3. This means most households of working age will pay more towards their council tax from April 2015 and there will be extra help for the most vulnerable in exceptional circumstances.

4.0 Consultation and analysis

4.1. The Local Government Finance Act 2012 specifies that before adopting or revising a scheme, the Council 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 a manner as it thinks fit.
- c) Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

4.2. The Council has carried out a comprehensive public consultation exercise in line with the requirements set out above. An explanation of the proposals and feedback questionnaire was delivered to every household in the city.

4.3. The Council's website included a simple to use on-line calculator that allowed any resident to check and compare their entitlement under the current and proposed schemes.

4.4. A range of public meetings and roadshow events were held during the consultation and over 600 voluntary groups were informed about the proposals through the Voluntary Sector Council.

4.5. Consultation commenced on 11 August and ran until 31 October 2014. During the course of the consultation 560 people used the on-line comparison calculator. There were 545 formal consultation responses and a range of public consultation events attended by over 400 people.

4.6. A detailed report on the outcome of consultation is attached as appendix (i).

4.7. Response to the consultation questions can be summarised as follows:

To what extent do you agree or disagree with	Strongly agree / agree	Strongly disagree / disagree
The proposals in general	51%	37%
The proposal to offer protection to those who are severely disabled	78%	13%
The proposal to offer protection to those who have a severely disabled child	72%	15%
The proposal to offer protection to single people aged under 25	43%	35%

4.8. The main themes in the textual responses are similar to those in previous years. Generally those people agreeing with the proposals felt that everyone should contribute

towards services. Generally those disagreeing with the proposals felt that people on low incomes are already struggling financially.

- 4.9. There was agreement that the Council's scheme should provide additional help to families with children on a low income (64% of respondents agreed or strongly agreed), disabled people (80% of respondents agreed or strongly agreed), Carers (78% of respondents agreed or strongly agreed) and people on low incomes (68% of respondents agreed or strongly agreed).

5.0 Comparisons

- 5.1. There is a mixed picture both nationally and locally when comparing local schemes. The number of councils maintaining the full value of council tax benefit dropped from 59 (18%) in 2013/14 to 45 (14%) in 2014/15. In the West Midlands, three councils have maintained the value of council tax benefit although one of these is currently consulting on changes for 2015/16.
- 5.2. Like Wolverhampton, many councils designed schemes to comply with the rules for transitional grant in 2013/14 but made further changes in 2014/15. Around 40 councils however adopted schemes from the outset where the minimum contribution exceeded 20%.
- 5.3. Setting or increasing a minimum contribution is the most common way in which schemes have been amended although there are some schemes with no minimum contribution but other factors that restrict entitlement.
- 5.4. Similarly some schemes with apparently high minimum contribution rates include protection for vulnerable groups. An analysis of 34 local schemes where the minimum contribution was 25% or more showed that over half included some form of protection.

6.0 Transitional and hardship protection

- 6.1. If any changes are made that have the effect of making the scheme less generous, the Council is under a duty to consider transitional protection for any individuals that would receive a lower level of support.
- 6.2. Essentially the Council has adopted transitional schemes in 2013/14 and 2014/15, opting not to pass on all of the reduction in Government funding through other savings and the use of reserves.
- 6.3. The proposed revisions for 2015/16 onwards result in most working age claimants having to make a greater contribution towards their council tax. The impact is distributed across the caseload with the average contribution increasing by £1.95 per week. The maximum increase in contribution is £2.65 per week affecting households living in properties banded C and above.

- 6.4. In view of this, the proposal to protect groups of claimants considered less able to work and the fact that transitional schemes have been in place for the last two years the recommended scheme does not contain any additional recommendations for transitional protection.
- 6.5. In the event of individual families experiencing exceptional hardship, awards will be considered under the Local Council Tax Discretionary Discount Policy. The policy has been reviewed and an updated version is attached as appendix (iii).

7.0 Conclusion

- 7.1. Overall there is a slightly higher level of agreement with the proposals in general than for the scheme consulted on last year. The number of people responding to the consultation has however reduced. This may be as a result of increased consultation activity across a range of savings measures being considered by the Council. A positive level of support and agreement for the principles of the scheme can be concluded from the consultation exercise.
- 7.2. General protection is maintained under the proposed revisions to the scheme in the following ways:
- a) For claimants with children the scheme will disregard any award of child benefit for the first child and through an addition to the needs allowance for each child.
 - b) For claimants with a disability the scheme will disregard any awards of disability living allowance or personal independence payment and with additions to the needs allowance through disability premiums.
 - c) For claimants with caring responsibilities, anyone who has an actual or underlying entitlement to carers allowance is entitled to an additional carers premium as part of their needs allowance.
 - d) For claimants in receipt of a war pension, war widows' pension or war disablement pension the proposed scheme continues to disregard such income in full.
 - e) For claimants in low paid employment, the proposed scheme will continue to provide disregards of both earned income and of elements of working tax credit.
- 7.3. The recommended revision to the scheme for 2015/16 onwards is that the basis on which support is calculated is revised from 88% to 78% of gross liability.
- 7.4. The effect of increasing the minimum contribution to 22% would mean that a household living in a band A property, receiving maximum support, would be required to pay £220.18 per year in 2015/16 (before any council tax increase) compared with £120.10 per year in 2014/15.
- 7.5. In view of support expressed through the consultation exercise it is also recommended that protection from any increase in minimum contribution should be offered:
- a) where the claimant or their partner is severely disabled;
 - b) where there is a severely disabled child; or
 - c) where the household comprises a single person under 25 years of age without dependents

- 7.6. Out of a total of 18,000 working age claimants, around 1,700 would continue to have support calculated on 88% of gross liability. The cost of protection is estimated at £175,000.
- 7.7. For 2015/16 and each subsequent year it is recommended that needs allowances, premiums and non-dependent deductions used to calculate entitlement are uprated using the percentages set by Government for the Prescribed Scheme.

8.0 Financial implications

- 8.1. Revisions to the scheme are proposed on the basis of narrowing the gap between the cost of the scheme and Government grant.
- 8.2. The mandatory protection of pensioners who continue to receive the same level of assistance as under the previous council tax benefit scheme results in additional costs falling on working age claimants.
- 8.3. Financial modelling of revisions to the scheme is based on current caseload profile and council tax liability. Variation in either of these factors will affect the overall cost of the scheme. For example an increase in council tax for 2015/16 is likely to lead to an increase in caseload and will increase expenditure.
- 8.4. Modelling of the revisions to the scheme outlined in paragraphs 7.3 and 7.5, using the assumptions described in paragraph 8.3 would reduce the cost of the scheme to the Council by an estimated £800,000.
- 8.5. The net saving is calculated taking into account anticipated collection rates and the precept for Fire and Police. A prudent estimate has been used to forecast collection rates along with allowing for the 10% preceptors share.
- 8.6. The savings that result from revising the scheme contribute towards the Council's significant financial challenge. Failure to adopt these revisions will mean that savings of £800,000 remain to be found from elsewhere.
[CF/01122014/D]

9.0 Legal implications

- 9.1. The Local Government Finance Act received Royal Assent on 31 October 2012. The Act includes a requirement for the Council to adopt any revisions to its local council tax support scheme by 31 January of the year in which changes are to be implemented. Failure to do so would result in the Council having to maintain the scheme currently in place.
- 9.2. The framework within which billing authorities must devise their council tax reduction schemes is contained in Part 1 of Schedule 4 to the Act. This Schedule provides that the following matters must be included in an authority's scheme:

- a) a description of the classes of person entitled to a council tax reduction;
- b) details of the reductions which are to apply to those classes (different classes of persons may be entitled to different reductions);
- c) the procedure under which a person may apply for a Council Tax reduction; and
- d) an appeals procedure covering decisions over entitlement to a reduction and the amount of any reduction due

These items are all included in the proposed revised scheme.

- 9.3. Section 67 (2)(aa) Local Government Finance Act 1992 as amended by the 2012 Act states that the implementation of a local council tax support scheme and any subsequent revisions to the scheme will be a function reserved to full Council.
- 9.4. The Council has prepared an Equality Assessment, appendix (ii) to assess the impact of the proposed revisions to the local council tax support scheme on residents of Wolverhampton.
- 9.5. Consultation has been carried out in accordance with the sequence set out in the 2012 Act. The Council has attempted to ensure that all interested parties are able to give a view.
- 9.6. The Council must consider whether there are any groups or individuals that are adversely impacted by any changes when making its final decisions on a local scheme.
[RB/01122014/A]

10.0 Equalities implications

- 10.1. A full equality analysis has been carried out in respect of the proposed revisions to the local council tax support scheme and a summary is included as appendix (ii) to this report.
- 10.2. Cabinet will need to have due regard to any adverse equality implications arising from whatever approach is adopted. Given that persons with the relevant protected characteristics will feature highly within claimant profiles, it is reasonable to expect that adoption of the proposed revisions will have some adverse equality implications.

11.0 Environmental implications

- 11.1. There are no environmental implications arising from this report.

12.0 Human resources implications

- 12.1. There are no human resources implications arising from this report.

13.0 Corporate landlord implications

- 13.1. There are no corporate landlord implications arising from this report.

14.0 Schedule of background papers

Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

<http://www.legislation.gov.uk/uksi/2012/2885/contents/made>

Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012

<http://www.legislation.gov.uk/uksi/2012/2886/made>

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<https://wolverhamptonintranet.moderngov.co.uk/ieListDocuments.aspx?CId=130&MId=193&Ver=4> (item 10)

Joseph Rowntree Foundation Publication – How have low-income families been affected by changes to council tax support.

<http://www.jrf.org.uk/publications/low-income-families-changes-council-tax>