



Cabinet (Resources) Panel

17 December 2013

Report title	Local Council Tax Reduction Scheme 2014/15 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, Delivery	
Originating service	Revenues and Benefits	
Accountable employee(s)	Sue Martin Tel Email	Head of Revenues & Benefits 01902 554772 sue.martin@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council	5 December 2013 18 December 2013

Recommendation(s) for action or decision:

That Cabinet (Resources) Panel:

1. Reviews the consultation feedback and equalities analysis.
2. Approves the Local Council Tax Discretionary Discount Policy
3. Recommends that Council:
 - 3.1. Notes the feedback from consultation.
 - 3.2. Notes the equality analysis.
 - 3.3. Approves the following revisions to the Local Council Tax Reduction Scheme
 - a) The basis on which support is calculated is revised from 91.5% of net liability to 88% of gross liability.
 - b) The rate at which support is withdrawn as income increases (the taper) is revised from 20% to 23%.

- c) Support is restricted to the level of a band C property.
 - d) Entitlement to second adult rebate is removed.
 - e) The capital cut-off limit is revised from £16,000 to £6,000.
 - f) The rate of non-dependent deduction is increased by 5% above the government uprating of the Prescribed Scheme for 2014/15.
 - g) Entitlement to backdated awards is limited to one month.
 - h) The disregard of child benefit income is limited to the rate for the first child.
- 3.4. Approves the full text of the revised scheme which is to be adopted from 1 April 2014.
- 3.5. 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)
- Local Council Tax Reduction Scheme which is published at <https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8417/Committee/1448/SelectedTab/Documents/Default.aspx>

1. Purpose

- 1.1. This report seeks approval from Cabinet (Resources) Panel 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 2014.

2. 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. The council's overall financial position means that to continue to fund the cost of the scheme at current levels is unaffordable.
- 2.5. A working group comprising representatives of Scrutiny Board and Confident Capable Council Scrutiny Panel met on 27 June and 14 August 2013 to consider a range of options for the local scheme. Following this pre-decision scrutiny, Cabinet agreed to publish a proposed scheme for consultation containing the following revisions:
 - a) The basis on which support is calculated is revised from 91.5% of net liability to 88% of gross liability.
 - b) The rate at which support is withdrawn as income increases (the taper) is revised from 20% to 23%.
 - c) Support is restricted to the level of a band C property.
 - d) Entitlement to second adult rebate is removed.
 - e) The capital cut-off limit is revised from £16,000 to £3,000.
 - f) The rate of non-dependent deduction is increased by 5% above the government uprating of the Prescribed Scheme for 2014/15.
 - g) Entitlement to backdated awards is limited to one month.
 - h) The disregard of child benefit income is limited to the rate for the first child.
- 2.6. A draft revised scheme was published for consultation on 12 September 2013 as part of a comprehensive public consultation exercise.

- 2.7. 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. Revisions to the Scheme – key principles

- 3.1. A wide range of issues has been considered in designing the scheme as now proposed, including:
- The Government's "Statement of Intent" issued in May 2012, Regulations and other guidance relating to vulnerable people and work incentives.
 - Feedback received from public consultation.
 - An assessment of the impact on equalities.
 - Incentivising work and alignment with emerging Universal Credit proposal.
 - Maintaining, where appropriate, key elements of the Council Tax Benefits scheme.
 - The impact on collection rates for council tax (including the impact on major precepting authorities) and the administrative costs of the scheme.
 - The reduction in Government funding for council tax support nationally and the direct impact on the council's overall financial position.
 - The loss of transitional grant after the first year of the scheme.
- 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 pensionable age will be provided in accordance with the Government's Regulations through a means tested reduction.
 - b) Support for people of working age will be provided through a means tested reduction.
 - c) There will be a discretionary hardship scheme to provide additional assistance in exceptional circumstances to the most vulnerable. The proposed Council Tax Discretionary Discount Policy is included as appendix (iii).
 - d) The scheme should continue to disregard in full war disablement pensions and pensions for war widows and widowers.
- 3.3. This means most households of working age will pay more towards their council tax from April 2014 and there will be extra help for the most vulnerable in exceptional circumstances.

4. 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):
- Consult any major precepting authority which has power to issue a precept to it.
 - Publish a draft scheme in such a manner as it thinks fit.
 - 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 summary of the range of events and methods used to ensure participation was as wide as possible is available at:
<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8417/Committee/1448/SelectedTab/Documents/Default.aspx>
- 4.5. Consultation commenced on 12 September and ran until 11 November 2013. During the course of the consultation there were 566 unique visits to the consultation web pages on the council website and 406 people used the on-line comparison calculator. There were 806 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 council's overall proposal	48%	33%
The proposal to restrict liability to 88%	52%	26%
The proposal to end the disregard of Child Benefit other than for the First child	51%	25%
The proposal to increase the taper from 20% to 23%	45%	26%
The proposal to restrict support to the equivalent of a Band C property	45%	27%
The proposal to remove Second Adult Rebate	45%	28%
The proposal to remove entitlement to those with capital above £3,000	34%	48%
The proposal to increase Non-Dependant deductions by 5% above uprating	47%	24%
The proposal to restrict backdating to one month	45%	29%

- 4.8. The individual proposal receiving the lowest level of support from consultation is the proposal to remove entitlement for those with capital above £3,000. The response rate of 48% either disagreeing or strongly disagreeing is significantly above all other proposed changes.

- 4.9. The main themes in the textual responses were that £3,000 was too low, it penalises people who have saved for emergencies, discourages saving and would not last long before being completely eroded.
- 4.10. There was strong agreement that the council's scheme should provide additional help to families with children on a low income (71% of respondents agreed or strongly agreed), disabled people (84% of respondents agreed or strongly agreed), Carers (77% of respondents agreed or strongly agreed) and people on low incomes (71% of respondents agreed or strongly agreed).

5. Transitional and hardship protection

- 5.1. 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.
- 5.2. Those people who will potentially experience the greatest loss under the proposed revisions are those that lose all entitlement to support under the following proposals
- a) Entitlement to second adult rebate is removed.
 - b) The capital cut-off limit is revised from £16,000 to £3,000.
- 5.3. In the first instance, second adult rebate is not awarded on the basis of the financial circumstances of the claimant but is based on the financial circumstances of other adult(s) in the household. This therefore means that the claimant themselves may not be on a low income; otherwise they would and can continue to claim support in their own right. In view of this it is not considered necessary to provide transitional protection.
- 5.4. In the second instance, the consultation analysis has already identified this proposal as receiving the lowest level of support. Section 6 of this report recommends an improvement to this proposal which is considered sufficient to remove the need to provide transitional protection.
- 5.5. In all other circumstances and also for anyone experiencing exceptional hardship a Local Council Tax Discretionary Discount Policy has been developed and is attached as appendix (iii).

6. Conclusion

- 6.1. Overall there is less agreement with the proposals than for the initial scheme consulted on last year. A positive level of support and agreement for the principles of the scheme can however be concluded from the consultation exercise.
- 6.2. Protection is maintained under the proposed revisions to the scheme in the following ways:

- For claimants with children the scheme will disregard as income any award of child benefit for the first child and through an addition to the needs allowance for each child.
 - For claimants with a disability the scheme will disregard as income any awards of attendance allowance or disability living allowance and with additions to the needs allowance through the disability premiums.
 - 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.
 - 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.
 - 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.
- 6.3. In view of the response to the proposal about removing entitlement for those with capital above £3,000 however it is recommended that the final scheme be altered to raise the limit.
- 6.4. A review of the textual consultation responses shows that where alternatives to either the proposed limit of £3,000 or the current limit of £16,000 were suggested they were fairly evenly spread between £5,000 and £10,000.
- 6.5. It is recommended that the initial proposal of a capital limit of £3,000 be amended to £6,000 for the following reasons
- a) Almost two thirds of claimants with capital between £3,000 and £16,000 would benefit from this revision as their capital is below £6,000.
 - b) In the current scheme capital details are only verified if above £6,000. Setting the limit at £3,000 would require an exercise to recheck capital for all working age claimants at an administrative cost that would erode potential savings.
- 6.6. Revising the capital limit to £6,000 would reduce the savings from those projected in the initial proposals by £63,000.
- 6.7. The recommended revisions to the scheme for 2014/15 onwards are:
- a) The basis on which support is calculated is revised from 91.5% of net liability to 88% of gross liability.
 - b) The rate at which support is withdrawn as income increases (the taper) is revised from 20% to 23%.
 - c) Support is restricted to the level of a band C property.
 - d) Entitlement to second adult rebate is removed.
 - e) The capital cut-off limit is revised from £16,000 to £6,000.
 - f) The rate of non-dependent deduction is increased by 5% above the government uprating of the Prescribed Scheme for 2014/15.
 - g) Entitlement to backdated awards is limited to one month.
 - h) The disregard of child benefit income is limited to the rate for the first child.

7. Financial implications

- 7.1. Revisions to the scheme are proposed on the basis of making up some of the shortfall in Government grant and in particular the loss of transitional grant which is receivable in 2013/14 only.
- 7.2. 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.
- 7.3. Financial modelling of revisions to the scheme is based on current caseload profile, 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 2014/15 is likely to lead to an increase in caseload and expenditure.
- 7.4. Modelling of the revisions to the scheme outlined in paragraph 6.7 and using the assumptions described in paragraph 7.3 would reduce the cost of the scheme by an estimated £760,000
- 7.5. 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.
- 7.6. 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 £0.8M remain to be found from elsewhere.

[NA/03122013/L]

8. Legal implications

- 8.1. 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.
- 8.2. 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.

- 8.3. 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.
- 8.4. 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
- 8.5. 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.
- 8.6. 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.

[JH/04122013/M]

9. Equalities implications

- 9.1. 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.
- 9.2. Cabinet (Resources) Panel 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.

10. Environmental implications

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

11. 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>

Report to Scrutiny Board 9 July 2013

<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8428/Committee/1468/Default.aspx>

Report to Cabinet 11 September 2013

<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8398/Committee/1446/Default.aspx>

Council Tax Reduction Scheme Consultation Booklet

<https://wolverhampton.cmis.uk.com/decisionmaking/Calendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8417/Committee/1448/SelectedTab/Documents/Default.aspx>