

Cabinet Meeting

16 September 2015

Report title	Local Council Tax Reduction Scheme	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Mark Taylor, Finance	
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	Strategic Executive Board	31 July 2015

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Approve the publication of a draft local council tax reduction scheme in respect of working age claimants for consultation containing the following revision:
 - The additional earnings disregard is removed for claimants in receipt of working tax credit.
2. Delegate authority to the Cabinet Member for Resources, in consultation with the Head of Revenues and Benefits, to approve the documents to be issued for consultation.

Recommendations for noting:

The Cabinet is asked to note:

1. That following the outcome of consultation a further report will be submitted to Cabinet on 9 December 2015 to enable a final scheme to be recommended to Council on 16 December 2015.
2. The potential risk of the impact of universal credit on entitlement to council tax reduction.

1.0 Purpose

- 1.1. This report is presented to Cabinet in order to seek approval to consult on a revision to the Council's local council tax reduction scheme (CTR).
- 1.2. Any revision to the scheme will be subject to consultation prior to adoption by full Council. At this stage therefore Cabinet is only asked to agree a draft revised scheme.

2.0 Background

- 2.1. From April 2013 the Council implemented its own transitional CTR scheme to replace council tax benefit. Government continues to set the rules for pensioners and so the local scheme applies only to working age households.
- 2.2. In 2014 and 2015 revisions were made to the scheme in order to offset some of the gap between the cost of the scheme and Government funding. No further changes were planned for 2016.
- 2.3. On 8 July 2015 the Chancellor of the Exchequer presented a budget which included a range of cuts in welfare benefits. Reductions in the amount of tax credit people receive will have a knock-on effect on entitlement to CTR. As household income decreases, entitlement to CTR increases as it is means tested. This is demonstrated by the following example:

Couple with two children in a band A property.		
	Weekly amounts	
	Now £	After (i) £
Eligible council tax (78% of charge)	19.58	19.58
Total income (after disregards)	325.50	305.50
Council tax reduction	1.61	6.21
(i) Tax credit income reduces by £20 per week		

- 2.4. Whilst every case will be different, it is estimated that the average loss in working tax credit will be around £20 per week with some families losing significantly more.
- 2.5. The effect of this when modelled across the whole caseload would be to increase the cost of the local CTR scheme by an estimated £200,000 - £250,000 per year.

3.0 Caseload information

- 3.1. At the end of July 2015 there were approximately 29,500 households receiving CTR.
- 3.2. Of these around 12,500 (43%) are from pensioners and around 17,000 (57%) are from working age claimants.
- 3.3. There are around 1,000 working age families receiving CTR and working tax credit who could see a reduction in tax credit that would increase their CTR award.

4.0 Options

- 4.1. The Council will need to decide for 2016/17 onwards whether, and if so to what extent, it can afford to fund the increased cost of the local scheme as a result of Government changes to national welfare benefits.
- 4.2. In considering the options the Council is obliged to have regard to the following duties:
- The public sector Equality Duty as set out in Section 149 of the Equality Act 2010.
 - The duty to mitigate effects of child poverty set out in The Child Poverty Act 2010.
 - The duty to prevent homelessness set out in The Housing Act 1996.
 - The duty owed to service and ex-service personnel under the Armed Forces Covenant published in May 2011.
- 4.3. In practice the Council has three options:
1. Revise the local scheme to offset the additional cost but alter entitlement only for those families affected by the budget changes.
 - Depending on the nature of the revision, this option could offset what would otherwise be an increased award of CTR to approximately 1,000 households.
 2. Revise the local scheme to offset the additional cost but spread the impact across all council tax reduction recipients.
 - Depending on the nature of the revision, this option would potentially affect the CTR award of 17,000 households and would inevitably mean some households receiving less support than in the current year.
 3. Fund the additional scheme costs through savings made elsewhere or use of reserves.
 - This option has to be considered in the context of the significant financial challenge facing the Council. A further £31.4 million of savings are still to be identified by 2018/19 and it is anticipated that the financial challenge could potentially be worse once the Autumn Spending Review is announced.
- 4.4. On the basis that funding the increased cost is not considered affordable, it is recommended that option 1 is taken forward to consultation in preference to option 2.

5.0 Revising the scheme

- 5.1. Several different ways of revising the scheme have been tested against the principal of at least maintaining 2015/16 levels of CTR entitlement.
- 5.2. The only revision that has been found to meet this criterion is removal of the 'additional earnings disregard' for those households receiving working tax credit. The disregard would however remain in place for any household that qualifies for it through another route, for example a couple not receiving working tax credit but with one person working for a minimum of 24 hours per week.
- 5.3. Even after removing the additional earnings disregard, modelling of individual claims suggests that the affected households would still receive slightly more CTR than in

2015/16. This is because it has not been possible to develop a proposal that fully offsets the impact of the budget changes without adversely impacting other households.

- 5.4. The earlier example showing the impact of a reduction in tax credit has been extended to show the further impact of removing the additional earnings disregard. It demonstrates that the amount of CTR for the example case after applying the proposed scheme revision is still £0.67 per week more than the 2015/16 award:

Couple with two children in a band A property.			
	Weekly amounts		
	Now £	After (i) £	After (ii) £
Eligible council tax (78% of charge)	19.58	19.58	19.58
Total income (after disregards)	325.50	305.50	322.60
Council tax reduction	1.61	6.21	2.28
(ii) Tax credit income reduces by £20 per week			
(ii) Additional earnings disregard of £17.10 per week removed			

- 5.5. The impact across all affected claims is shown below:

	No. of claims	Change in costs after budget changes to tax credit £ per year	Change in costs after budget changes to tax credit and removal of additional earnings disregard £ per year
Pensioners	15	2,000	2,000
Working age	1,064	226,000	46,000
Total	1,079	228,000	48,000

- 5.6. The table highlights the fact that there are 15 claims from pensioners who receive tax credit and would therefore receive an increased CTR award but who are outside the local scheme for working age households.

6.0 Consultation

- 6.1. The Council has a duty to consult 'persons affected' on any revisions to its local CTR scheme, and to take account of the outcomes in making a final decision.
- 6.2. The Local Government Finance Act 2012 requires the Council to do the following in the order set out:
1. consult any major precepting authority which has power to issue a precept to it,
 2. publish a draft scheme in such manner as it thinks fit, and
 3. consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 6.3. Regardless of the fact that the proposed revision affects a limited number of people from the outset, it will be important to demonstrate that the proposal has been widely communicated enabling those with an interest to express their views.

- 6.4. As the impact and extent of the proposed revision is much narrower than in previous years it is proposed to carry out the following consultation activities over a 6 week period during October and November:
1. An on-line survey on the Council website publicised through social media, posters in public buildings, press notices and flyers to be included with all council tax and benefits post.
 2. Workshops with advice agencies and voluntary groups
 3. An on-line entitlement calculator showing before and after estimates

7.0 The CTR scheme and Universal Credit

- 7.1. From February 2016 single people and couples without dependents will claim Universal Credit (UC) rather than Housing Benefit (HB). At present there are no known recipients of UC in Wolverhampton.
- 7.2. The CTR scheme already includes rules about the entitlement calculation for claimants receiving UC however these were written in advance of there being any UC recipients nationally. The rules do however appear to be the same as other councils where the UC rollout is ahead of Wolverhampton.
- 7.3. The level of information that will be available to the Council to calculate CTR for families receiving UC is still unclear as is a full understanding of how UC entitlement is calculated.
- 7.4. This could mean that a claimant who moves from HB to UC would be entitled to a higher award of CTR leading to an increase in scheme costs.
- 7.5. Whilst UC is limited to single people and couples without dependents there is unlikely to be a noticeable impact on the CTR scheme. There is however a risk that an expansion or acceleration of the UC programme could increase costs to the Council and therefore changes to the scheme rules may be required in the future.
- 7.6. It is recommended that this risk is noted and that the issue is kept under review

8.0 Financial implications

- 8.1. The Medium Term Financial Strategy does not currently anticipate an increase in the cost of the CTR scheme. If the local scheme is not revised to offset the estimated additional cost of £200,000 - £250,000, an alternative saving would be required.
- 8.2. Adopting a revised scheme in line with the recommendation in this report would still increase the cost of the scheme by an estimated £50,000.
- 8.3. There has been a trend of reducing CTR caseload and as a result scheme costs have naturally reduced. This impact is monitored and factored into projected scheme costs for future years. The number of people claiming CTR is however influenced by a range of factors and the current trend cannot be relied upon to continue.

- 8.4. Further details will be reported to Cabinet following the consultation period.
[MH/07092015/Z]

9.0 Legal implications

- 9.1. Section 67 (2)(aa) of the 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.
- 9.2. Paragraph 3, Schedule 1A of the 2012 Act requires the Council, when making a scheme to, “consult such other persons as it considers are likely to have an interest in the operation of the scheme”.
- 9.3. There is a statutory duty on the Council to agree any changes to the local scheme by 31 January in order to implement those changes in the following financial year.
- 9.4. As eligibility rules and award levels are set nationally for pensioners any changes to the scheme may only apply to claimants of working age.
[RB/01092015/H]

10.0 Equalities implications

- 10.1. The proposal and outcome of the consultation will be subject to a full equality analysis.

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

- 14.1. Local Government Finance Act 2012
<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>