



Cabinet Meeting

23 July 2014

Report title	Local Council Tax Reduction Scheme 2015/16 Onwards	
Decision designation	AMBER	
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	Head of Revenues and Benefits
	Tel	01902 5547723
	Email	sue.martin@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	10 July 2014

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Approve the publication of a draft scheme in respect of working age claimants for consultation containing the following revisions:
 - a. The basis on which support is calculated is revised from 88% to 78% of gross council tax 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
 - where there is a severely disabled child
 - a single person under 25 years of age without dependents

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 public consultation.

Recommendations for noting:

The Cabinet is asked to note:

1. The options for revisions to the local council tax support scheme for working age claimants that are needed in order to further offset the cut in government grant for funding the scheme.
2. That following the outcome of public consultation a further report will be submitted to Cabinet on 10 December 2014 to enable a final scheme to be recommended to Council on 28 January 2015.

1.0 Purpose

- 1.1. This report is presented to Cabinet in order to seek the approval of changes to the Council's local scheme for council tax support; having considered options that could be incorporated.
- 1.2. Any changes to the scheme will be subject to public 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 local council tax reduction 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 The local scheme adopted by the Council for 2013/14 broadly maintained the eligibility rules that existed for council tax benefit. The only significant change was that entitlement was limited to 91.5% of liability for working age applicants.
- 2.3 Revisions to the scheme were made for 2014/15 and the following amendments were incorporated:
 - a) The basis on which support is calculated is 88% of gross liability.
 - b) The rate at which support is withdrawn as income increases (the taper) is 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 £6,000
 - f) The rate of non-dependent deduction was increased by 5% above the government uprating of the Prescribed Scheme for 2014/15
 - g) Entitlement to backdated awards is limited to 1 month
 - h) The disregard of child benefit income is limited to the rate for the first child
- 2.4 The total pressure in the 3 January 2013 Medium Term Financial Strategy (MTFS) for Council Tax for 2013/14 was shown as £3.2 million, a combination of the loss of £2.7 million grant funding in addition to £500,000 lost council taxbase.
- 2.5 The transitional scheme as implemented for 2013/14 was intended to recover £1.3 million of this loss, including a transitional grant of £600,000 payable for one year only. The scheme implemented for 2014/15 was intended to recover the lost transitional grant. The rest of the cost of the scheme is therefore currently funded through other savings and the use of reserves approved as part of the MTFS.

3.0 Current Caseload

- 3.1. At the end of June 2014 there were approximately 32,000 households receiving council tax support.
- 3.2. Of these, approximately 42% were from pensioners who are unaffected by this report.

- 3.3. The average award of council tax reduction for 2014/15 is £810 per year for a pensioner and £693 per year for someone of working age.

4.0 Options

- 4.1. The council will need to decide for 2015/16 onwards whether, and if so to what extent, it can afford to continue funding a shortfall between awards and the grant from central government.
- 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 deciding the local scheme it wishes to adopt for 2015/16 onwards the Council has the following choice:
- Retain the scheme adopted for 2014/15. Under this scheme the amount of reduction for pension age applicants is protected, but the amount of reduction for working age applicants is limited to a maximum of 88% of their gross liability.
 - Make changes to the local scheme as it affects working age applicants. These changes can be more or less generous in the level of support and/or tailor levels of support by regard to specific characteristics within the working age community.
- 4.4. A number of possibilities have been considered including:
- Keeping the scheme adopted in 2014/15 unchanged
 - Varying the maximum liability against which awards are made
 - Whether changes should apply to all categories of working age claimant.
- 4.5. Each option has been considered against the following criteria
- The impact on residents
 - The level of savings/cost to the council that could result
 - Where possible, not making the scheme more difficult to understand
- 4.6. Retaining features of the current council tax reduction scheme will allow the needs of those with children, disability or caring responsibilities to be recognised. For example
- Those with children: through the needs allowance and in disregarding childcare costs
 - Those with disabilities: through the needs allowance and by disregarding certain disability related income such as Disability Living Allowance
 - Those with caring responsibilities: through the needs allowance

5.0 Maintain the scheme adopted for 2014/15

- 5.1. Some of the loss of government grant has been made up through the scheme adopted in 2013/14 and revisions adopted for 2014/15.

- 5.2. There is still however a significant shortfall between government funding and the overall cost of the local scheme, taking into account projected collection rates.
- 5.3. The MTFs assumes a further narrowing of the gap between government funding and the cost of the scheme.
- 5.4. For these reasons, maintaining the scheme under its current rules is considered to be unaffordable.

6.0 Varying the maximum liability against which awards are made

- 6.1. Under the current scheme all working age households have to pay at least 12% of their Council tax charge.
- 6.2. Increasing the minimum contribution would apply equally to all households unless protection is introduced.
- 6.3. The following table illustrates the impact on the amount payable for a household receiving maximum support and living in a band A property.

	Per year £	Per week £
Amount to pay 2014/15 (current)	120.10	2.30
Amount to pay at 20% minimum contribution	200.17	3.84
Amount to pay at 22% minimum contribution	220.18	4.22
Amount to pay at 25% minimum contribution	250.21	4.80

- 6.4. The following table illustrates estimated reductions in scheme cost based on the examples of minimum contribution shown above:

Minimum contribution	Estimated net reduction in scheme cost £000
20%	820
22%	1,000
25%	1,300

- 6.4.1. In each case the financial impact assumes expenditure for 2014/15 given our current caseload. Adjustments have been made to take account of the changing profile because of the increase in the age at which individuals will reach pension age, but no assumption has been made that there will be either an increase or decrease in overall claim numbers.

6.4.2. Expenditure has also been projected before any increase in council tax in 2015/16 but after allowing for collection rates and the preceptors' share.

6.4.3. Each example uses a starting point of 88% eligible liability and eligibility rules in line with the current local scheme.

6.5. In considering whether to increase the minimum contribution Cabinet will need to balance affordability of the scheme with the ability to offer protection to the most vulnerable. In short the lower the minimum contribution the narrower the scope to offer protection.

7.0 Protecting the most vulnerable

7.1. During analysis of data used to prepare this report certain categories of vulnerable household have been identified. Cabinet is asked to consider a proposal to protect these households from any further increase in the minimum contribution that may be agreed.

7.2. Proposals for protection are based on those households that appear either least able to work or least able to afford any increase in contribution.

7.2.1. Protection for those people who are the most disabled and least able to work

- 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.
- It is estimated that protection would apply to around 750 households.

7.2.2. Protection for households with a severely disabled child

- Defined as households that include a child who is entitled to receive the disabled child premium. The requirement to receive this premium is that the child receives the higher rate of disability living allowance or the enhanced daily living component rate of personal independence payment.
- It is estimated that protection would apply to around 250 households.

7.2.3. Protection for single adults under 25 years of age

- Defined as single claimants less than 25 years of age without dependents. This group either receives a lower level of state benefit if they are seeking work or a reduced amount of council tax support if they are in work. The reduction in state benefits such as jobseekers allowance is currently around £15 per week and therefore leaves them less able to afford any additional contribution.
- It is estimated that protection would apply to around 650 households.

7.3. Public consultation will be used to gauge support for the scope and extent of protection and to consider whether there are any other categories of household that are considered to be particularly adversely affected.

8.0 Transitional Protection

- 8.1. 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.
- 8.2. This issue will be considered as part of the report seeking agreement to the final version of the scheme and once the outcome of consultation has been analysed.

9.0 Consultation

- 9.1. The council has a duty to consult on any revisions to its local council tax support scheme which would reduce entitlement to support for any class of person, and to take account of the outcomes in making a final decision.
- 9.2. The Local Government Finance Act 2012 requires the council to do the following in the order set out:
 - a) consult any major precepting authority which has power to issue a precept to it,
 - b) publish a draft scheme in such manner as it thinks fit, and
 - c) consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 9.3. The requirement to consult as laid down in the Local Government Finance Act 2012 states that consultation must be carried out on the basis of a published draft scheme which incorporates the proposed changes. In order to comply with this requirement Cabinet must identify which of the above options it would wish to see incorporated into a draft local scheme.
- 9.4. In order to allow the maximum possible time for views to be expressed, consultation must start immediately. A plan is currently being prepared that anticipates consultation running from mid August to mid November.
- 9.5. As with the consultation exercise in the last two years, the proposals should be communicated as widely as possible to elicit the best response and give the greatest number of people an opportunity to express their views. This will be done by writing to every household, through public meetings and by making a trial calculator available on line.
- 9.6. Full council must endorse the final scheme by 31 January 2015 at the latest in order to implement any changes to the scheme for 2015/16.

10.0 Financial Implications

- 10.1. The MTFS includes an assumed saving of £800,000 in 2015/16 in respect of the local council tax support scheme. If no change is made to the scheme an alternative saving would be required.

- 10.2. Adopting a revised scheme in line with the recommendations in this report would make an estimated net saving of £870,000 compared to the cost of the current scheme.
- 10.3. The net saving is calculated taking into account anticipated collection rates and the precept for Fire and Police. A prudent estimate of 60% has been used to forecast collection rates along with allowing for the 10% preceptors share.
- 10.4. In modelling the financial data it is worth highlighting that the caseload, the taxbase and the council tax rise for 2015/16 are all factors in the calculation, and therefore a change in any one of those will necessarily change the reported position on the savings proposal.
- 10.5. Further factors which impact on the council's financial position need to be taken into account such as any deviance from estimated collection rates and the cost of collection as a consequence of changes to the scheme.
- 10.6. The consultation exercise is estimated to cost £67,000 including production of printed material, postage, provision of an on-line calculator tool and collation of the survey results. The cost will be met from within existing revenue budgets.
- 10.7. Further financial information will be reported to Cabinet following consultation on the proposed changes to the scheme.
[NA/03072014/T]

11.0 Equalities Implications

- 11.1. The council will need to have due regard to any adverse equalities implications arising from whatever approach is adopted, and given that persons with the relevant protected characteristics will feature highly within council tax reduction claimant profiles, it is reasonable to expect that there will be some adverse equality implications.
- 11.2. The proposals and outcome of the consultation will be subject to a full equality analysis.

12.0 Legal Implications

- 12.1. 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.
- 12.2. The Local Government Finance Act 2012 stipulates the process that must be followed in revising or replacing a local scheme, including the consultation process as outlined in paragraph 9.2.
- 12.3. It is important that the process of determining and implementing the local scheme complies with legislative requirements covering equalities and consultation in order to protect the council from legal challenge.
[RB/14072014/X]

13.0 Environmental implications

13.1. None.

14.0 Human resources implications

14.1. None

15.0 Corporate Landlord implications

15.1. None

16.0 Schedule of Background Papers

16.1. Local Council Tax Support Scheme 2014/15

<https://wolverhamptonintranet.moderngov.co.uk/CeListDocuments.aspx?Committeeld=143&MeetingId=990&DF=17%2f12%2f2013&Ver=2> (item 5)

16.2. Local Government Finance Act 2012