

NAME OF COMMITTEE	Resources Committee
DATE	10 December 2013
REPORT TITLE	Council Tax Support
Report of	Darren Cole, Head of ICT & Customer Services
WARDS AFFECTED	All

Summary of report:

This purpose of this report is to gain agreement from Members on the adoption of a revised Council Tax Reduction (CTR) scheme for 2014/15. This scheme will take effect on 1st April 2014 and replace the scheme currently in place.

Financial implications:

The formula grant received from Central Government is expected to be reduced by over 13% for 2014/15. Council Tax Reduction funding is included in the formula grant and therefore without a new scheme in place there will be a shortfall in funding for West Devon Borough Council of approximately £76,686 and £482,000 across all preceptors.

RECOMMENDATIONS:

To recommend to Council:

- 1) To agree the implementation of the proposed cost neutral local Council Tax Reduction scheme for 2014/15. This scheme introduces the following changes:
 - **80% maximum liability restriction** meaning that working age claimants pay a minimum of 20% towards their Council Tax bill.
 - **A property valuation band D restriction** meaning that working age claimants living in larger properties do not receive greater levels of support than those living in small properties
 - **An exception hardship fund** to help those claimants experiencing severe financial difficulties

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1. BACKGROUND

- 1.1 As part of the wider Welfare Reform agenda Council Tax Benefit was abolished from April 2013. It is now the responsibility of the billing authorities to design their own local schemes. The new local scheme is called Council Tax Reduction (CTR) and is classed as a council tax discount rather than a state welfare benefit.
- 1.2 The Scheme adopted by the Council for 2013/14 was largely based on the previous Council Tax Benefit system and therefore had little impact on the benefit customer. The shortfall in government funding (approximately £400,000) was funded by technical changes to Council Tax discounts and exemptions and transitional funding from central government.
- 1.3 Council Tax Reduction is a means tested discount. In 2013/14 customers in receipt of means tested out-of-work benefits generally received a full reduction and paid no Council Tax. Low income customers received a partial reduction and paid the remainder of their Council Tax.
- 1.4 Pensioners continue to be protected from receiving any reduction to their current entitlement and will remain under a national scheme set by Government for 2014/15.
- 1.5 Any risk associated with the local schemes is shared by all the major precepting authorities through the impact on the Council Tax Base.

Share of the Council Tax bill for 2013/14	% 2013/14
West Devon Borough Council	12.5%
Devon County Council	69.3%
Police and Crime Commissioner	10.1%
Devon & Somerset Fire & Rescue	4.6%
Town & Parishes	3.5%

- 1.6 Excluding West Devon, South Hams and Teignbridge Council, all Devon Authorities implemented a liability restriction in 2013/14 and applied a cost neutral scheme, meaning that all claimants had to pay a contribution towards their Council Tax.
- 1.7 Nationwide, approximately two thirds of all authorities implemented a liability restriction and this percentage is set to rise in 2014/15.

2. ISSUES FOR CONSIDERATION

- 2.1 The transitional funding made available in 2013/14 (£91,000) has been withdrawn for 2014/15.
- 2.2 If the proposed scheme is not adopted, the Council will be subject to continuing with the scheme adopted for 2013/14, but without the assistance of central government transitional funding. The 1% up rating of benefits will also have to be met from Council funds.

- 2.3 From 2014/15 funding for council tax support will be included within the overall local government funding scheme. West Devon Borough Council therefore decides how much funding is available to support the Council Tax Reduction scheme.
- 2.4 The major preceptors, being Devon County Council, Devon and Cornwall Police Commissioner and Devon & Somerset Fire and Rescue are all part of a Devon wide group with all local authorities to review the impact of 2013/14 schemes on customers and collection rates and explore the scheme options for 2014/15.
- 2.5 Any Exceptional Hardship Fund will be financed through the collection fund and therefore funded across all preceptors. Devon County Council will be largely funding this with a contribution of 69.3%.
- 2.6 Early evidence has shown that Councils which introduced a cost neutral scheme by passing the cut onto unprotected claimants have seen a smaller impact than expected. Councils that have been pro-active in providing early money advice and support for the most vulnerable have achieved the best rates of Council Tax collection.
- 2.7 Details of the schemes in operation around Devon and proposed changes for 2014/15 can be seen in Appendix A

3. Consultation

- 3.1 In devising a scheme to put out to public consultation a cost neutral approach was taken to meet the funding gap and support the government's aims of reducing welfare expenditure and increasing incentives to work.
- 3.2 The proposed scheme was out at public consultation from 12th August to 7th October 2013. The main elements of the consulted scheme were:
 - **Maximum liability restriction for working age customers** – unprotected claimants should pay something towards their council tax. The consulted scheme was based on 75% liability restriction meaning that all working age claimants would pay a minimum of 25% towards their Council Tax bill.
 - **Band D Restriction** – Those living in larger properties should not receive greater levels of support than those occupying smaller properties. This means that those living in higher band properties (E, F, G & H) will have council tax reduction limited to that of a Band D charge. The Government has applied this principle in other areas of welfare reform such as: restriction to Local Housing Allowance rates to a maximum of 4 bedrooms, a benefit cap and social size restrictions.
 - **Reduce the saving threshold from £16,000 to £6,000** – Those with £6000 or more in savings would not qualify for any council tax reduction.
 - **Exceptional Hardship Fund.** - A fund is provided to help and support those in extreme financial difficulties.

- 3.3 128 consultation replies were received, a full analysis of which can be found in Appendix B.
- 3.4 In response to the question: To what extent do you agree or disagree with the following proposal: All working age people pay something towards their council tax? 68.4% tended to agree or strongly agreed.
- 3.5 In response to the question: To what extent do you agree or disagree with the following proposal: Restrict the amount of Council Tax Reduction to a Band D charge for working age people? 44.3% tended to agree or strongly agreed.
- 3.6 In response to the question: To what extent do you agree or disagree with the following proposal: Set up a limited hardship fund that the most vulnerable people can apply to for help paying their council tax. 79% tended to agree or strongly agreed.

4. Proposed Scheme

- 4.1 In response to the public consultation and additional financial analysis the proposed scheme is as follows:
- **Maximum liability restriction for working age** –The consulted scheme was based on 75% liability restriction, however the latest financial modelling confirms that this should be set at 80%, slightly reducing the impact on claimants
 - **Band D Restriction** – This part of the proposed scheme remained unchanged.
 - **Exceptional Hardship Fund** – This part of the proposed scheme remained unchanged.
- 4.2 The option to reduce the saving threshold from £16,000 to £6,000 has been removed from the proposed scheme. Responses to the consultation suggested this drop was too steep. Remodelling the reduction to £10,000 produced savings so insignificant it was decided to remove this element from the scheme. This means that the scheme does not have an adverse impact on savers.

5. Impact on Council Tax collection

- 5.1 The proposed scheme increases the amount of collectable Council Tax debt. For 2013/14 the total amount collectable is approx £31,270,000
- 5.2 Collecting this new type of debt will require additional resource to assist those customers struggling to pay. Proactive assistance would be given to encourage early access to impartial money advice services.

- 5.3 Like the proposed scheme, the financial impact of this additional resource would be shared between all the major preceptors. Therefore West Devon Borough would contribute 16% of the costs of this additional resource equating to approx £4,831. This will be funded from our existing revenue budget.

Staffing cost (scale 4 post)	£25,194
Administration (mail outs)	£ 2,500
Laptop/Phone	£ 2,500
Total Cost	£30,194

- 5.4 Other Councils that invested in this additional resource in 2013/14 have benefitted from a reduced impact on collection rates despite significant pressures being placed on the tax base.

6. LEGAL IMPLICATIONS AND STATUTORY POWERS

- 6.1 Clause 34 of the Welfare Reform Bill provides for the abolition of Council Tax Benefit from 31st March 2013 and introduces the Local Council Tax Support schemes to be administered by Local Authorities.
- 6.2 If no local CTR scheme is adopted by 31st January 2014 the Council will be bound to continue with the scheme adopted in 2013/14.
- 6.3 As this report relates to new policy, the final decision must be made by full Council.
- 6.4 There is a requirement to consult on any proposed local CTR scheme; an 8 week consultation exercise has been undertaken.

7. FINANCIAL IMPLICATIONS

- 7.1 The formula grant received from Central Government is expected to be reduced by over 13% for 2014/15. Council Tax Reduction funding is included in the formula grant and therefore without a new scheme in place there will be a shortfall in funding for West Devon Borough Council of approximately £76,686 and £482,000 across all preceptors.
- 7.2 The following table shows a breakdown of the financial implications:

	Impact on all Major Preceptors	Impact on West Devon 15.91% share of the overall council tax bill – see 1.5
Estimated shortfall in funding	£482,000	£76,686
Income generated from implementing proposed scheme	£493,297	£78,484

All of these figures are based on estimates using the current levels of claimants.

8. RISK MANAGEMENT

The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

9. OTHER CONSIDERATIONS

Corporate priorities engaged:	Community Life, Economy
Considerations of equality and human rights:	<p><i>In deciding to change the Council Tax Reduction Scheme for 2014, the Council has considered the effect of the changes from the existing (2013/14) scheme and is of the opinion that no transitional provisions are required. The Council will, for 2014/15, maintain a fund for those taxpayers who experience exceptional hardship.</i></p> <p>An Equality Impact Assessment has been undertaken for the proposed scheme.</p>
Biodiversity considerations:	There are no biodiversity considerations to this report
Sustainability considerations:	Financial considerations have been factored into the long term sustainability of the scheme.
Crime and disorder implications:	There are no crime and disorder considerations to this report.
Background papers:	Welfare Reform Act 2012
Appendices attached:	A – Devon schemes in operation B – consultation responses and analysis

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Financial Modelling	Scheme does not meet reduction in funding creating shortfall to be met by Preceptors	5	2	10	↔	Extensive financial modelling has been undertaken	
2	Agreement on scheme	Failure to agree a scheme by 31 st January 2014	5	2	10	↓	Project team and plan in place to implement scheme.	
3	Financial	Detrimental impact on collection rates	5	2	10	↔	Business case in place with all preceptors agreeing financial support to fund extra resource to undertake early intervention and money advice.	
4	Financial	Future funding reductions could mean that the proposed scheme will not remain fit for purpose	5	4	20	↑	Annual review and close monitoring of announcements and national forums.	
5	Financial	Impact on wider economy and most vulnerable	5	3	15	↔	Business case in place with all preceptors agreeing financial support to provide Exceptional Hardship Fund to assist those in extreme financial need.	

Direction of travel symbols ↓ ↑ ↔