

---

**Meeting of the Cabinet – 30th October 2013**

**Report of the Director of Corporate Resources**

**Localised Council Tax Reduction Scheme 2014/15**

**Purpose of Report**

- 1 To update members on the results of the consultation exercise that was approved at the Cabinet meeting held on 20<sup>th</sup> June 2013, together with information regarding plans for council tax reduction scheme changes in our neighbouring authorities.
- 2 Following consideration of the consultation results, the outcomes from member scrutiny, and an equality impact assessment, to gain agreement on the Cabinet's preferred option for the Council Tax Reduction Scheme to commence in April 2014. This will then be submitted for member's approval at the full council meeting to be held on 5<sup>th</sup> December 2013.

**Background**

- 3 The Council's Benefit service administers the localised council tax reduction scheme. Under this scheme, the income of low income households is subjected to a means test and can result in a reduction to their council tax liability of up to 100%. 33,500 households currently receive a council tax reduction, the average amounting to £13.54 per week (£706 per year).
- 4 New *localised* Council Tax Reduction (CTR) schemes replaced the old *national* Council Tax Benefit (CTB) scheme in April 2013. This also came with a reduction in the level of, and nature of, supplied central government funding to support the scheme. The background to the CTR 2013/14 scheme development together with a breakdown of the schemes funding arrangements can be found in the Cabinet report on 20<sup>th</sup> June 2013.
- 5 After taking into account government grants towards CTR awards and the local authorities share of the overall council tax bill, Dudley's estimated contribution to funding it's CTR scheme in 2013/14 is approx. £1.85 million.
- 6 As some of the central government funding for our scheme was only granted for the first year, if the current scheme were to continue in 2014/15 (and council tax levels remain unchanged), Dudley's estimated contribution towards the scheme next year would be £2.4million.
- 7 As the CTR scheme for pensioners is prescribed in regulations, any change in our local CTR scheme can only apply to work-age applicants. The estimated breakdown of reductions to be granted under the current 2013/14 scheme is as follows:-

Data as at 01/05/13	Pension Age	Working Age Employed	Working Age Other	Total
Number of claims with non-zero awards	15892	2377	15081	33350
Average weekly reduction in CT	£13.69	£9.87	£13.97	£13.54
Average annual reduction in CT	£714	£515	£728	£706
Total annual awards	£11,349,729	£1,238,466	£11,001,423	£23,589,618

- 78% of all working age applicants of CTR (just under 14,000) currently receive a 100% reduction in their council tax bill (ie. they currently pay no council tax at all).
- 56% of all CTR applicants reside in the lowest council tax property band A and 84% reside in property bands A or B
- 25% of all households throughout the borough are in receipt of CTR. (Halesowen South has the lowest level at 12% and the highest is 39% in St. Thomas)

8 New CTR schemes for working age claimants can only be implemented at the start of a financial year (ie. 1<sup>st</sup> April) and any scheme changes must be consulted on and approved by a full council meeting before 31<sup>st</sup> January in the year that the scheme will start. Any transitional arrangements for applicants affected by changes must also be considered at the same time.

9 On 20<sup>th</sup> June, Cabinet members approved a timetable for consultation on potential scheme changes. The consultation was based on three options for a revised council tax reduction from 1<sup>st</sup> April 2014. These are as follows –

**OPTION ONE** – Continue with the current scheme which protects low income households from any changes, calculating CTR entitlement in the same way.

**OPTION TWO** – Calculate CTR entitlement in the same way, but then reduce the level of award granted by 8.5%. This will increase the council tax payable.

**OPTION THREE** – Calculate CTR entitlement in the same way, but then reduce the level of award granted by 20%. This will increase the council tax payable by more than in option two.

None of the options affect pensioners who are protected automatically by law.

10 In addition to seeking a preference on the preferred option, the consultation asked if any vulnerable groups (in addition to pensioners) should be protected from changes in the scheme, should options 2 or 3 be implemented. The 4 most common vulnerable categories protected in other local authority CTR schemes (ie. disabled adults, disabled children, war pensioners and lone parents with children under 5) were named in the consultation together with the option to suggest other vulnerable groups for protection from any changes.

11 Consultation on Dudley's preferred option commenced on 18<sup>th</sup> July with emails to our major precepting authorities (Fire and Police) who are also affected by our choice of CTR scheme. The key points arising from the response are :-

- An acknowledgement of the difficulties associated with reduced funding arrangements and the vulnerability of the citizens affected
- Consideration should be given to maximising other council tax technical changes to minimise the impact on the authority funding
- Whatever option is chosen, a prudent approach should be adopted in terms of the anticipated levels of council tax collection rates so that planning assumptions regarding funding are not over optimistic

12 Public consultation took place for 12 weeks from 29<sup>th</sup> July to 18<sup>th</sup> October 2013, the details of the consultation and the full results of which are included in Appendix 1.

In summary the 550 people responded to the consultation, of which 412 (73%) preferred option 1, 68 (12%) option 2, 65 option 3 (12%) and 15 (3%) gave no preference.

In the event that option 2 or 3 should be implemented 274 (50%) were in favour of protecting disabled adults, 241 (44%) disabled children, 229 (42%) war pensioners, 163 (30%) lone parents with a child under 5, and 119 (22%) suggested a variety of other categories of vulnerable households for protection.

13 The members of the Corporate Performance Management, Efficiency and Effectiveness (CPMEE) Scrutiny Committee have undertake scrutiny of the options for CTR schemes over a series of meetings as follows :-

11<sup>th</sup> June : Brief Introduction to topic

30<sup>th</sup> July : Informal meeting dedicated to 14/15 CTR Scheme development

5<sup>th</sup> Sept : Update on work-to-date and summary of recommendations

A summary of the issues discussed at the scrutiny committee are as follows :-

- The protection of low-income household from increases in council tax bills vs. options to raise more council tax to help with budget pressures elsewhere
- Analysing and defining any vulnerable categories that could be protected from changes should options 2 or 3 be implemented, and in particular the different definitions that could be applied to disability. The definition for disabled used in the consultation exercise is the widest definition to include all incapacity as a result of long-term illness. There is also a narrower definition for disability that could be used which can be defined as people in receipt of Disability Living Allowance (or it's replacement benefit Personal Independence Payments).
- The potential problems in collecting relative small amounts of council tax from low income households, and the increased costs of collecting from up to 14000 additional households who currently pay no council tax at all.

The minutes of the 5<sup>th</sup> September Scrutiny Committee meeting (item 13) include more detail on the member's discussions. Due to the final results of the public consultation not being available until 18<sup>th</sup> October and collection information from neighbouring authorities not being available, the work of the CPMEE committee concluded with the following resolution:-

*“That the Cabinet be informed that this Scrutiny Committee do not wish to make a recommendation to them regarding which of the three options for the Council’s 2014/15 Local Council Tax Reduction Scheme should be adopted, on the basis that there was currently not enough information available on which to make a decision but that if Cabinet/Council wish to implement either options 2 or 3 it is recommended that the vulnerable groups identified within the papers circulated to members and referred to at this meeting be protected and that the widest possible definition of disability be features of the proposed Scheme”*

14 The next steps in approving a revised CTR scheme are as follows :-

Cabinet approves scheme to submit to Full Council	30 <sup>th</sup> Oct 2013
Cabinet response to CPMEE Scrutiny Committee	20 <sup>th</sup> Nov 2013
Full Council approves scheme	5 <sup>th</sup> Dec 2013
Deadline for 2013/14 CTR scheme approval	31 <sup>st</sup> Jan 2014

15 As part of the recent “Big Question” consultation on the budget, the Council sought the views of the public on the services that they would want to cut or protect. The results of that exercise indicated a relatively high level of support for cutting benefits and other welfare services. However it is relevant to note that there was also a relatively high level of support for protecting services for disabilities and mental health in children and adults as well as for child protection and family support. (There was also a relatively high level of support for protecting older people but these are in any case protected by the mandatory CTR scheme for pensioners.)

16 At a national level, early indications from other authorities who have reduced CTR eligibility suggest that recovery of council tax from low-income families is proving challenging, both in terms of administration and lower collection rates. More locally, while budgeted collection rates vary widely, actual collection performance has reduced, although other factors have had an impact here, particularly changes to council tax exemptions and discounts for unoccupied properties from 01/04/13. It has proved difficult to obtain factual information this early in the financial year and official council tax collection results for 2013/14 will not be available until May 2014.

- 17 The following information about neighbouring authority plans has been extracted from publicly available reports. At this stage they are only proposals and the situation may change prior to the scheme setting deadline of 31<sup>st</sup> Jan 2014.

LA	2013 / 14 CTR schemes	2014 / 15 proposals
Birmingham	8.5% cut in CTR - with protected groups - extra CT to collect = £8.1m	Unknown - No public consultation started
Coventry	Default Scheme – no changes	Unknown - No public consultation started
Sandwell	Various scheme changes - with protected groups - extra CT to collect = £474k	Unknown - No public consultation started
Solihull	Default Scheme – no changes	Cabinet recommendation to retain default scheme for a further 2 years
Walsall	Default Scheme – no changes	Public consultation to commence based on 4 options - cut in CTR of 20.5% - cut in CTR of 10% - cut in CTR of 20% (with protected groups) - no change to scheme
Wolverhampton	8.5% cut in CTR – no protected groups - extra CT to collect = £1.2m	Public consultation underway on variety of 'mix & match' scheme changes :- - limiting CTR to 88% of CT liability - limit child disregard to 1 <sup>st</sup> child - lower capital cut-off to £3k - 5 other 'lower value' scheme changes

## **Finance**

- 18 In 2013/14 it is estimated that £24m in council tax reductions will be granted under our current scheme for low-income families. This is funded by £21.3million from central government, £0.6million in 'one-off' transitional grants, and a contribution from Dudley and it's major precepting authorities (Fire & Police) of £2.1million. The breakdown of these figures is 88% Dudley Council, 8% West Midlands Police & Crime Commissioner and 4% West Midlands Fire Service. No further government transitional funding has been announced for 14/15.
- 19 Although provision for funding the Dudley contribution to the scheme was made in the budget for 2013/14, (assisted by the one-off transitional grant), any savings made in the costs of the 2014/15 scheme will contribute to meeting other budget pressures.

20 The true cost of any CTR scheme to the council and its precepting authorities (Fire & Police) is the amount of extra council tax that could be collected as a result of a less generous scheme. The table below shows the council's share of the extra council tax that would be collectable under each of the proposed scheme options. Each of the 3 options have been modelled to include and exclude all of the named 'potential' protected groups in the consultation. During the Scrutiny Committee discussions two different definitions for disabled adults were considered and consequently both options have been presented. There are obviously a number of sub-sets of the named protected groups that could be considered or indeed consideration of different groups for protection from changes as a response to the public consultation.

	<b>Protecting all disabled adults &amp; children, lone parents with child under 5 and war pensioners <u>widest</u> defn. of Disabled</b>	<b>Protecting all disabled adults &amp; children, lone parents with child under 5 and war pensioners <u>narrower</u> defn. of Disabled</b>	<b>Not protecting any vulnerable groups (other than pensioners)</b>
<b>Option 1</b> Continue with current scheme	No change	No change	No change
<b>Option 2</b> Increase council tax payable by cutting the level of CTR by 8.5%	Increase in LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£456k</b> in 2014/15.	Increase in LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£591k</b> in 2014/15	Increase LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£911k</b> in 2014/15
<b>Option 3</b> Increase the council tax payable by cutting the level of CTR by 20%	Increase in LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£1,072k</b> in 2014/15	Increase in LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£1,389k</b> in 2014/15	Increase LA's <b>share</b> of the collectable council tax by a <u>maximum</u> of <b>£2,143k</b> in 2014/15

Assumptions

- All calculations are based on current caseloads, 2013/14 council tax levels with no annual upratings applied
- 'Savings' in the scheme are quoted in terms of the Dudley's share of extra collectible council tax and a 100% collection rate. (Only 88% of all council tax collected is retained by the local authority)
- Additional costs for collection and administration are not included

21 Implementing a scheme with no protected groups would require the collection of council tax from an additional 14,000 council tax payers who currently pay nothing, and additional council tax from another 3000 council tax payers who currently receive less than 100% CTR. It is estimated that the additional administrative costs in collection would be around £100k. Obviously this cost would reduce depending on the number of protected groups.

22 It is very likely that extra council tax from low-income households could result in a lower than average collection rate for this sector of the community (compare to our usual 99% collection rate). Although official collection rate statistics from local authorities with less generous schemes are not published until after the end of this financial year, the budgeted collection rates of neighbouring authorities for this additional debit is as low as 66%.

## Law

- 23 The Local Government Finance Act 2012 introduced local council tax reduction schemes to replace council tax benefit from April 2013.
- 24 The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 (Statutory Instrument 2012 / 2885) contains the mandatory elements for any local scheme and details the scheme that must be adopted for pensioners.
- 25 The Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012 (Statutory Instrument 2012 / 2886) contains the default council tax reduction scheme that was imposed on councils if they failed in their duty to set a scheme by 31<sup>st</sup> January 2012. The default scheme mirrors the rules of the old council tax benefit scheme and our current CTR scheme follows this with the addition of extra income disregards for war and war widow pensions.
- 26 The law requires consultation on any council tax reduction scheme changes and approval of any changes by a full council meeting. Due to the way the current scheme is documented, the up-rating of annual amounts (personal allowances, premiums, disregards and non-dependent deductions) could be deemed changes to the scheme. To ensure legal compliance and to avoid unnecessary public consultation it is proposed that the CTR scheme that commences in April 2014 is documented in a manner that links annually up-rated values to equivalents in the national CTR scheme for pensioners or Housing Benefits regulations.

## Equality Impact

- 27 The Government has stated that local schemes should provide support for the most vulnerable. The Government has confirmed that it does not intend to prescribe the protection that local authorities should provide for vulnerable groups other than pensioners, but issued guidance in May 2012 on the existing duties local authorities must take into account in relation to vulnerable groups in designing their schemes. These cover the following:
  - the public sector equality duty set out in section 149 of the Equality Act 2010
  - the duty to mitigate child poverty under the Child Poverty Act 2010, and
  - the duty to prevent homelessness under the Housing Act 1996.

The guidance does not tell local authorities what they must do in their schemes to be compliant with these duties, but states that this needs to be tailored to their own specific circumstances.

- 28 An Equality Impact Assessment has been undertaken (see background information) and will be reviewed / updated based on the scheme recommendations of the Cabinet.
- 29 There has been no specific involvement of children and young people in developing the proposals in this report.

## **Recommendations**

- 30 After considering the outcomes of the preceptor and public consultation, member scrutiny and the equality impact assessment, that Cabinet agree their preferred council tax reduction to be submitted to full council for approval on 5<sup>th</sup> December 2013. The preferred scheme could consist of any of the options proposed in paragraph 8 above together with any vulnerable groups (in addition to pensioners who are protected by legislation) that should be protected from any changes to the current scheme. It should be noted that any new proposal for significant changes to be introduced at this stage may require a further public consultation exercise to be undertaken.
- 31 If the CTR scheme is changed to be less generous than in the current financial year, the council has a duty to consider whether transitional arrangements are to be put in place for any CTR recipients affected. Transitional arrangements will have the effect of reducing the amount collectable. It is assumed that if options 2 or 3 are considered (with or without vulnerable group protection) then the financial impacts on the affected households are deemed acceptable and no transition arrangements need to be considered.
- 32 That Cabinet approve the proposal to document the preferred CTR scheme in such a manner that any personal allowances, premiums, disregards and non-dependent deductions are automatically linked to equivalent annually up-rated values published by the central government in either Housing Benefit Legislation or the prescribed Council Tax Reduction scheme for pensioners. This will allow any approved scheme to be automatically carried forward to future years, without the need for annual public consultation and re-approval, until such time that further scheme changes are considered.



.....  
Philip Tart  
Director of Corporate Resources

Contact Officers: Mike Williams  
Telephone: 01384 814970  
Email: mike.n.williams@dudley.gov.uk

Jackie Davies  
Telephone 01384 814940  
Email: jackie.davies@dudley.gov.uk

## **Appendix 1 : Summary of outcomes from customer consultation**



## **Links to Background Information**

[Equality Impact Assessment](#)

[Report to Scrutiny Committee on Protecting Vulnerable Groups \(Sept 2013\)](#)

[Corporate Performance Management, Efficiency and Effectiveness Scrutiny Committee \(5th September 2013\)](#)

[Council Tax Reduction Cabinet Report – 20<sup>th</sup> June 2013](#)

[The Welfare Reform Act 2012](#)

[The Local Government Finance Act 2012](#)

Further information (including the regulations for the default council tax reduction scheme) can also be found on the following website :-

<https://www.gov.uk/government/policies/giving-local-authorities-more-control-over-how-they-spend-public-money-in-their-area--2/supporting-pages/localising-council-tax-support>

## Appendix 1 - Customer Consultation

Formal consultation ran from 29/7/2013 to 18/10/2013 (12 weeks)

The consultation was intended to reach the following groups:

- Members
- Precepting authorities
- Benefit recipients
- General public
- External stakeholders – tenants associations, Citizens Advice Bureau, Housing Associations, Tenants and Resident Associations
- Social landlords
- Council Tax payers
- Internal stakeholders - Social care, Housing,

The consultation process included the following activities:

emails	Landlords, housing associations, internal & external stakeholders, preceptors (police & fire)
e-bulletin	Big Question respondents
Mailshot	Benefit recipients
Consultation leaflet	General public (available at DCP, libraries, Job centres, CABs)
Website	General public
Press release / coverage / advertisement	General public
Twitter	General public
Facebook	General public
Community Forums	General public

## Results of customer consultation (paper & internet)

The total number of responses was 550

<b>Scheme Options</b>	<b>Number</b>	<b>%</b>
Option 1 – No Change	402	73%
Option 2 – 8.5% cut in CTR	68	12%
Option 3 – 20% cut in CTR	65	12%
No option given	15	3%
<b>Protect Vulnerable Groups</b>		
Disabled Adults	274	50%
Disabled Children	241	44%
War Pensioners	229	42%
Lone Parent – child aged under 5	163	30%
Other (various)	119	22%

Responses by.....				
<b>Dudley Tax Payer</b>	<b>Receiving CTR</b>	<b>Organisation</b>	<b>Landlord</b>	<b>Other</b>
184	333	3	3	10

Responses by.....		
<b>Female</b>	<b>Male</b>	<b>Unknown</b>
276	242	32

Responses by.....				
<b>18-24</b>	<b>25-44</b>	<b>45-64</b>	<b>65+</b>	<b>Unknown</b>
18	174	303	25	30

Responses by.....					
<b>White</b>	<b>Black</b>	<b>Mixed</b>	<b>Asian</b>	<b>Other</b>	<b>Unknown</b>
476	9	6	19	12	28

Respondent has Long-Term Illness, Health Problems, or Disability limiting daily activity		
<b>Yes</b>	<b>No</b>	<b>Unknown</b>
231	289	30

We received 550 responses:

402 (73%) voted for option 1 which is no change:

- 294 (73%) of these respondents indicated they were in receipt of Council Tax Reduction
- 87 (22%) of these respondents indicated that they were Dudley council tax payers

68 (12%) of respondents voted for option 2 which is an 8.5% reduction

- 30 (44%) of these respondents indicated they were in receipt of Council Tax Reduction
- 32 (47%) of these respondents indicated that they were Dudley council tax payers

65 (12%) of respondents voted for option 3 which is a 20% reduction:

- 5 (8%) of these respondents indicated they were in receipt of Council Tax Reduction
- 58 (89%) of these respondents indicated that they were Dudley council tax payers

Of the 514 responses we received 119 suggestions for protecting other vulnerable groups.

Some repeated categories already in 4 groups named the rest were as follows :-

- All low income / benefit households – 30
- People on job seekers allowance – 23
- Lone parent with child under 16 - 8
- People affected by bedroom tax - 4
- Carers - 4
- ESA recipient – 3 (although this would be covered by the widest definition of disabled )
- Single People – 2
- Under 25s - 2

Plus 1 comment for each of the following

Kids in 1<sup>st</sup> homes / Asylum Seekers / Mental Health Issues / Students / Working Couples with Children/ Self-employed / Special Emergencies

**Copy of consultation document :**



Final A5 8pp.pdf  
(264 KB)