

Meeting of the Council – 2nd December, 2013

Report of the Cabinet

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 20th June 2013, together with information regarding plans for council tax reduction scheme changes in our neighbouring authorities.
2. To consider the proposals of the Cabinet, further to their consideration of the consultation results, the outcomes from member scrutiny, and an equality impact assessment, regarding the Council Tax Reduction Scheme to commence in April 2014.

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 20th June 2013 (available on the Internet or to members on request from Democratic Services).
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 approximately £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's)

8. New CTR schemes for working age claimants can only be implemented at the start of a financial year (ie. 1st April) and any scheme changes must be consulted on and approved by a full council meeting before 31st 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.

Further to their approval of a timetable for consultation, the Cabinet, at its meeting held on 30th October, 2013, considered the options contained in the consultation document and the responses thereto. The report to the Cabinet, and the appendix thereto, in which the options consulted upon and details of the responses are set out, is available on the Committee Management Information System (CMIS), or from Democratic Services on request.

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

9. 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 the options other than the status quo 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.
10. Dudley's major precepting authorities (Fire and Police) who are also affected by our choice of CTR scheme were consulted upon with regard to their preferred options. The key points arising from the responses 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.

11. Public consultation took place for 12 weeks from 29th July to 18th October 2013 and the details of the consultation and the full results are set out in Appendix 1 to the report submitted to the Cabinet on 30th October, 2013.

In summary 550 people responded to the consultation, of which 412 (73%) preferred option 1 (to continue with the existing scheme which protects low income households from any changes, calculating CTR entitlement in the same way); 68 (12%) option 2 (to calculate CTR entitlement in the same way, but then reduce the level of the award granted by 8.5%, thus increasing the Council Tax payable); and 65 (12%) option 3 (to calculate CTR entitlement in the same way, but then reduce the level of award granted by 20%, thus increasing the level of Council Tax payable by more than option 2) 15 (3%) of respondents gave no preference.

In the event of options 2 or 3 being 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.

12. The members of the Corporate Performance Management, Efficiency and Effectiveness (CPMEE) Scrutiny Committee have undertaken scrutiny of the options for CTR schemes over a series of meetings and a summary of the issues discussed at the scrutiny committee are as follows:-

- The protection of low-income households 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.

More details of the discussions at the Committee are set out in the minutes of its meeting held on 5th September, 2013, which are available on CMIS. Owing to the final results of the public consultation not being available until 18th October and to collection information from neighbouring authorities not being available, the work of the Committee concluded that it did not wish to make a recommendation on any of the options presented, on the basis that there was currently not enough information on which to make a decision. They resolved, however, that should the Cabinet or Council wish to implement options 2 or 3, it was recommended that the vulnerable groups identified in the papers be protected and that the widest possible definition of disability be features of the proposed scheme.

13. The deadline for 2013/14 CTR scheme approval is 31st January, 2014.
14. 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).
15. At a national level, early indications from other authorities which 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 1st April, 2013. 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.
16. 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 31st January, 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 st child - lower capital cut-off to £3k - 5 other ‘lower value’ scheme changes

Finance

17. In 2013/14 it is estimated that £24million 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 and Police) of £2.1million. The breakdown of these figures is 88% Dudley Council, 8% West Midlands Police and Crime Commissioner and 4% West Midlands Fire Service. No further government transitional funding has been announced for 2014/15.
18. 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.
19. The true cost of any CTR scheme to the council and it's precepting authorities (Fire and 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 referred to in the report submitted to the Cabinet. 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.

	Protecting all disabled adults & children, lone parents with child under 5 and war pensioners <u>widest</u> defn. of Disabled	Protecting all disabled adults & children, lone parents with child under 5 and war pensioners <u>narrower</u> defn. of Disabled	Not protecting any vulnerable groups (other than pensioners)
Option 1 Continue with current scheme	No change	No change	No change
Option 2 Increase council tax payable by cutting the level of CTR by 8.5%	Increase in LA's share of the collectable council tax by a <u>maximum</u> of £456k in 2014/15.	Increase in LA's share of the collectable council tax by a <u>maximum</u> of £591k in 2014/15	Increase LA's share of the collectable council tax by a <u>maximum</u> of £911k in 2014/15
Option 3 Increase the council tax payable by cutting the level of CTR by 20%	Increase in LA's share of the collectable council tax by a <u>maximum</u> of £1,072k in 2014/15	Increase in LA's share of the collectable council tax by a <u>maximum</u> of £1,389k in 2014/15	Increase LA's share of the collectable council tax by a <u>maximum</u> of £2,143k 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
20. 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 £100,000. Obviously this cost would reduce depending on the number of protected groups.
21. 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

22. The Local Government Finance Act 2012 introduced local council tax reduction schemes to replace council tax benefit from April 2013.
23. 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.
24. 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 31st 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.
25. 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

26. 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.

27. An Equality Impact Assessment has been undertaken and will be reviewed / updated based on the scheme recommendations of the Cabinet.
28. There has been no specific involvement of children and young people in developing the proposals in this report.
29. On consideration of the report submitted, which contained the above information, the Cabinet, at its meeting held on 30th October, 2013, resolved to recommend the Council as set out in paragraphs 30 to 32 below.

Recommendations

30. That, further to consideration of the outcomes of the preceptor and public consultation on the Council Tax Reduction (CTR) scheme, member scrutiny, the equality impact assessment and last year's results of the Big Question budget survey in 2012, that the CTR scheme be amended from 1st April 2014 and that the scheme be based on the eligibility and calculation rules of the current scheme with a 20% cut in the resulting level of the reduction; and that a transitional arrangement of an 8.5% cut in the calculated reduction apply at least up to 31st March 2015 with full protection from any scheme changes being given to pensioners (as defined in legislation), disabled adults, disabled children, war pensioners and lone parents with a child under 5, the definition of the protected groups to be as defined in the 2013 public consultation.
31. That, subject to full Council approval before 31st January, 2015 the transitional arrangements of an 8.5% cut may be extended beyond 31st March 2015 without further public consultation.
32. That the Council 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.



.....
Leader of the Council