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|  <b>Executive 10 July 2013</b>   |                              | <b>Agenda Item No.</b><br><br><b>5</b> |
| <b>Title</b>  | Council Tax Reduction Scheme |  |
| <b>For further information about this report please contact</b>   | Andrea Wyatt<br>Ext 6831     |  |
| <b>Wards of the District directly affected</b>  | All                          |  |
| <b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b> | No                           |  |
| <b>Date and meeting when issue was last considered and relevant minute number</b>   | Council December 2012        |  |
| <b>Background Papers</b>  |                              |  |

|  |                                |
|--|--------------------------------|
| <b>Contrary to the policy framework:</b>                                   | Yes/No                         |
| <b>Contrary to the budgetary framework:</b>                                | Yes/No                         |
| <b>Key Decision?</b>   | Yes/No                         |
| <b>Included within the Forward Plan? (If yes include reference number)</b> | Yes/No                         |
| <b>Equality &amp; Sustainability Impact Assessment Undertaken</b>          | Yes/No (If No state why below) |
| An EIA will be undertaken in tandem with the consultation process.         |                                |

| Officer/Councillor Approval  |         |              |
|--|---------|--------------|
| Officer Approval   | Date    | Name         |
| Deputy Chief Executive & Monitoring Officer  | 24/6/13 | Andrew Jones |
| Head of Service  | 24/6/13 | Mike Snow    |
| CMT  | 24/6/13 |              |
| Section 151 Officer  | 24/6/12 | Mike Snow    |
| Finance  | 24/6/13 |              |
| Portfolio Holder(s)  | 24/6/13 | Andrew Mobbs |
| Consultation & Community Engagement  |         |              |
| It is a statutory requirement that consultation in respect of the new Council Tax Reduction scheme is undertaken amongst precepting authorities, key stakeholders and persons affected. An Equality Impact Assessment will also be undertaken and the findings will be circulated with the consultation documents. |         |              |
| Final Decision?  |         | No           |
| Suggested next steps (if not final decision please set out below)  |         |              |
| A final decision will be required following consultation with precepting authorities and the wider public.   |         |              |

## **1. SUMMARY**

- 1.1 The national Council Tax Benefit scheme ended on the 31<sup>st</sup> March 2013 and each local authority were required to have in place, its own local council tax reduction scheme by 31<sup>st</sup> January 2013 for implementation on the on the 1<sup>st</sup> April 2013.
- 1.2 Government funding for the scheme was cut by at 10% and local authorities could either make these savings by changing the scheme and reducing the amount of help claimants received, or by making the savings from within existing budgets. All pensioners were protected from the effects of any new scheme.
- 1.3 For 2013/14 it was agreed by Council that the scheme should continue to be based on the old benefit scheme and thereby agreeing that any savings would come from existing budgets. Members are now required to make a decision for the scheme from 2014/15.

## **2. RECOMMENDATION**

- 2.1 That Executive agrees to make the following changes to the Council Tax Reduction Scheme from 1 April 2014:-
  - a) For all claimants the council tax support calculation is based upon the council tax liability being reduced by 7.5% of the total liability from April 2014, and 15% from April 2015.
  - b) The second adult rebate will no longer be part of the council tax reduction scheme.
  - c) The Minimum Wage to be used when calculating a reduction for the self employed where a claimant has declared that they have no income from their self employed work and have had no income for a period longer than six months.
- 2.2 That Executive agrees that the Head of Finance should continue to have delegated powers to enable any amendments to be made to the scheme which will have no financial impact to customers, but which it is deemed are required to ensure that the scheme is less complex to administer than the current scheme.
- 2.3 That the Executive note that the views of Warwickshire County Council and the Warwickshire police and Crime Commissioner have been sought for feeding back to the Executive.
- 2.4 That Executive agrees to receive a further report in November 2013 following the consultation process to enable it to decide upon the Warwick District Council, Council Tax Reduction scheme to be implemented from April 2014 and 2015.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 National legislation governing the administration of Council Tax Benefit was abolished for all claims from 1<sup>st</sup> April 2013 and Local Authorities were expected

to introduce their own local schemes subject to a 10% cut in funding from Central Government.

- 3.2 The Council is required to consult with our major precepting authorities in respect of any new scheme. When Warwick District Council considered not changing the scheme for 2013/14, it was noted that for 2014/15, the scheme should be reviewed to seek to remove the financial burden from the scheme upon the Council. On this basis, the County and the Police were prepared to accept the scheme unchanged for 2013/14, but expected the scheme to be reviewed for 2014/15 onwards to remove the financial burden that will fall on them. In considering the future of the scheme, it will again be necessary to consider the views of the County and the Police.
- 3.3 North Warwickshire BC, Nuneaton & Bedworth BC and Rugby BC changed their schemes from 1 April 2013 with a view to making the savings, however both Warwick District and Stratford District opted to not change their schemes for the first year. Stratford DC have not yet made a decision regarding their scheme.
- 3.4 The following changes are proposed to the Council Tax Reduction scheme from 1 April 2014:-
- a) For all claimants the council tax support calculation is based upon the council tax liability being reduced by 7.5% of the total liability from April 2014, and 15% from April 2015. This means that all claimants will pay a minimum of 7.5% of council tax from 2014/15, increasing to 15% from 2015/16.
  - b) Where there is one liable council tax payer in a household, they can claim a second adult rebate based on the circumstances of other non liable people who are not partners but who live in the property. This is paid at either 7.5%, 15% or 25% depending on the income of the second adult regardless of the income and capital of the liable person. In the council tax reduction schemes that have been changed for 2013/14 by other local authorities, the second adult rebate has been stopped in most cases.
  - d) There are currently have around 350 self employed claimants, many of whom have been in receipt of full benefit for a number of years and declare nil or minimal income from being self employed. If an employed earner does not declare a satisfactory remuneration for the work they do, it is possible at present to use the minimum wage in the calculation of their benefit (based on 30 hours per week). It is recommended that this arrangement is extended to include self employed customers.
- 3.5 Under the council scheme from April 2013, the Head of Finance has delegated powers to agree any amendments to be made to the scheme which will have no financial impact to customers, but which it is deemed are required to ensure that the scheme is less complex to administer than the current scheme. It is recommended that this delegation should remain.
- 3.6 The major precepting authorities, Warwickshire County Council and Warwickshire Police & Crime Commissioner are to be consulted on these proposals. To assist with this, this report has been shared with them accordingly. Their responses will be reported to the Executive before broader consultation.

- 3.7 Following the broader consultation, a report on the scheme will be presented to the Executive ahead of the scheme needing to be agreed by council in December 2013.

#### 4. **POLICY FRAMEWORK**

- 4.1. Under Fit For the Future the Council is required to make savings to ensure it is able to set a balanced budget into the future. Alongside this, it is necessary to encourage economic growth in the district. As part of the Government's Welfare Reforms, the Government is amending the benefits systems with the introduction of Universal Credit, one of the main aims of this is to ensure that work pays, and there are incentives to seeking work rather than live on benefits.

#### 5. **BUDGETARY FRAMEWORK**

- 5.1 The Council currently spends around £8m in council tax reduction annually under the current scheme. The cost of this is shared via the collection fund between the district and county councils, and the Police & Crime Commissioner. Each authority receives grant funding towards this, but the funding was originally designed to only cover 90% of the cost of council tax benefits prior to April 2013. This meant that for schemes to be cost neutral on the authorities, the level of benefits would need to be reduced. As pensioners are protected, it meant that the reduction in support for all working age claimants would be around 20%.
- 5.2 Over the last year, the cost support for council tax (previously by way of council tax benefits, and now by way of council tax reduction) had decreased to around £7.5m. This largely reflects decreased caseload which has followed the decrease jobless in the district.
- 5.3 This decrease in caseload means that it is not now necessary to reduce the awards by 20% as originally envisaged. Accordingly, a 15% reduction is proposed, this being phased in over two years.
- 5.4 The Council's financial projections have been prepared on the basis that savings will be made to the council tax reduction scheme from 2014/15 so as to make the scheme cost neutral. If the savings are not made, this will present a further savings that need to be found from other budgets of the Council, with similar implications for the county and police.

#### 6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 The Council could apply a % deduction to the reduction of a claimants assessed entitlement, however this would mean that any increases in council tax would reduce the savings made by any scheme as these would be wholly covered by the reduction in entitlement. In simplistic terms if council tax rose by 7.5% the council would make no savings from the council tax reduction scheme.
- 6.2 The Council could do nothing and continue with the current scheme, this would protect those who have been affected by other welfare reforms but increase the savings that need to be found by the Council.

## 7.0 BACKGROUND

7.1 The Council Tax Reduction Scheme replaced the Council Tax Benefit scheme from the 1<sup>st</sup> April 2013 following the Government's decision to abolish the national scheme. Previously, authorities received subsidy from the Government to "refund" any Council Tax Benefit paid to customers and therefore the Council Tax Benefit scheme did not place any burden on either the authority or the precepting authorities. Subsidy in respect of Council Tax Benefit ceased to be paid to authorities from April 2013 and has instead been replaced by a grant which is 10% less than the authority was receiving in Benefit subsidy. This represents a financial loss to the collection fund of £810,000 which is shared proportionality between the District Council and the major preceptors as follows:

- Warwick County Council £630,000
- Warwickshire Police £100,000
- Warwick District Council £80,000

7.2 In order to mitigate this loss Councils could either write a new Council Tax Reduction scheme which would effectively reduce the benefit paid to customers thereby recouping the loss, or by opting to find the savings from elsewhere. In real terms this translates as a reduction of 10% in council tax benefit for every customer, however the Government protected all pensioners from any changes to the scheme and therefore if an authority wished to make savings from the scheme, the full impact would need to be met by making adjustments to the amount of Benefit paid to working age customers of around 20%. In cash terms, the total value of Council tax Benefits was over £8m. The benefits awarded would need to reduce by approximately £800,000 so as to not present an additional cost to the authorities.

7.3 Since the original proposals for Council Tax Reduction and the 10% reduction in Government funding our Benefit caseload has steadily reduced. As at April 2012 the cost was £8.1m per annum which has reduced over the period to £7.6m in May 2013, and as a result it is anticipated that by the end of the year we will have saved around £500,000 which reduces the shortfall between the actual benefit paid out and the grant settlement received this means the net loss to each authority currently stands at approximately:

- Warwick County Council £230,000
- Warwickshire Police £36,000
- Warwick District Council £34,000

7.4 Assuming the caseload for Council Tax Reduction does not increase to previous levels, for the scheme to be "cost neutral" in the future, it will not be necessary for the level of benefits awarded to working age claimants to be reduced by the 20% originally expected (as discussed in paragraph 7.2). It is recommended that the benefit is reduced by 15%, but that this is phased in over a 2 year basis, 7.5% from April 2014, and a further 7.5% from April 2015 (bringing the reduction in benefits to 15%).

7.5 There are 4,277 working age claimants, 957 of these are affected by the spare room subsidy deduction and their housing benefit has been reduced by an average of £18.00 per week from April 2013. A further 47 claimants will be

affected by the benefit cap from July and they too will receive a reduction in their housing benefit. 2,413 claimants are currently in receipt of a pass-ported benefit which means they receive the minimum income that the Government has decided they need to live. Any new scheme is likely to mean that all 4,277 working age claimants will have to pay something towards their council tax, including those who have already received a reduction in their housing benefit and those that are currently receiving the minimum income.

- 7.6 In changing the scheme it is necessary to collect money from people who receive the lowest income and are amongst the most vulnerable within the District. Some of these groups will not have had to pay council tax in the past and maybe amongst the most difficult to recover from. Currently, those that fail to pay council tax are subject to court action and receive court costs, continuing failure to pay could result in bailiff action being taken. This would add to the financial burden of these groups and in addition would incur costs to the council in terms of the additional work required to collect the money.
- 7.7 Universal Credit is due to be phased in from April 2014, as yet we do not have sufficient information available to determine how this might affect our customers.
- 7.8 Before adopting a scheme, the District Council, as billing authority, must, in the following order:
  - a. consult any major precepting authority which has power to issue a precept to it,
  - b. carry out an equality impact assessment
  - c. publish a draft scheme in such manner as it thinks fit, and
  - d. consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 7.9 Accordingly, the Council must consult with the major precepting authorities, Warwickshire County Council and Warwickshire Police & Crime Commissioner ahead of publishing a draft scheme. The result of this consultation will be reported to the Executive for consideration, ahead of a draft scheme being published for wider consultation. Following the wider consultation, the results will be reported to Executive in November.