

 Executive 27 July 2016		Agenda Item No. 6
Title	Council Tax Support	
	Council Tax Reduction Scheme	
For further information about this report please contact	Andrea Wyatt Ext 6831	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	2 December 2015 – Executive 27 January 2016 – Council	
Background Papers	The Council Tax Reduction Schemes (Prescribed Requirements)(England) Regulations 2012. Warwick District Council Reduction Scheme.	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No
An Equality Impact Assessment will be undertaken and the findings will be circulated with the consultation documents.	

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	04 July 2017	Bill Hunt
Deputy Monitoring Officer	04 July 2017	Graham Leach (Deputy)
Head of Service	01 July 2017	Mike Snow
CMT	04 July 2017	
Section 151 Officer	01 July 2017	Mike Snow
Finance	01 July 2017	Mike Snow
Portfolio Holder(s)	04 July 2017	Peter Whiting
Consultation & Community Engagement		
It is a statutory requirement that a consultation in respect of any changes to the Local Council Tax Reduction Scheme is undertaken with pre-cepting authorities, key stakeholders and persons affected.		
Final Decision?	No	
Suggested next steps (if not final decision please set out below)		
A further report on the outcome of the consultation is required and only at that point will revisions to the scheme be determined.		

1. SUMMARY

- 1.1 The Government abolished the national Council Tax Benefit scheme in April 2013 and tasked Local Authorities to design their own schemes for working age customers to be implemented from April 2013. The Government continues to prescribe the scheme for pensioners and they can continue to receive up to 100% reduction in council tax.
- 1.2 The Warwick District scheme for working age was unchanged in April 2013, in April 2014 the maximum amount of reduction a customer could get reduced to 92.5% and to 85% from April 2015.
- 1.3 The current scheme remains more generous than many Council Tax Reduction Schemes, however, in light of the revised national framework, the proposed changes will ensure that the scheme remains equitable for all customers whether they are in receipt of Universal Credit or not, whilst reducing the administrative burdens of operating different means tested schemes.

2. RECOMMENDATION

- 2.1 That Executive agrees the following proposals to be put out to consultation for changes to the Council Tax Reduction Scheme from 2017.
 1. That the calculation of Council Tax Reduction for Universal Credit customers receiving help with their housing costs is amended.
 2. That the maximum period of backdating for working age customers is reduced from three months to one month.
 3. That the amount deducted from entitlement for non-dependants residing in the property are amended to reflect the changes the Government have made to the prescribed scheme and that these are updated annually so that they remain aligned.
 4. To abolish the family premium for all new claims made from the 1st April 2017 onwards.
 5. That a child premium is not included in the calculation for any third or subsequent child born after April 2017, to reflect the changes to the pensioner scheme, the Housing Benefit scheme and Universal Credit.
- 2.2 That Executive agrees for a further report to be considered following the consultation process, so that appropriate recommendations can be made to full Council.

3. REASONS FOR THE RECOMMENDATION

- 3.1 National legislation governing the administration of Council Tax Benefit was abolished for claims made after 1st April 2013 and Local Authorities were expected to introduce their own local schemes which were subject to a 10% cut in funding from Central Government.

- 3.2 The Council Tax Reduction scheme for working age customers is still very similar to the working age and pension age Housing Benefit scheme and the Council Tax Reduction scheme for pensioners. However, whilst legislative changes have been made to these two other schemes over the past 3 years, the Council Tax Reduction scheme has remained untouched; the proposed changes would bring the scheme back into line, ensure that it is equitable for all customers, and make it less confusing by aligning it with the other schemes and easier to administer.
- 3.3 If the changes are not made to the scheme, entitlement to Council Tax Reduction will be more generous to some customers even though their household circumstances and income may be the same as others. This is due to the national legislation which governs how Universal Credit is calculated conflicting with the Council Tax Reduction scheme.
- 3.4 When the Warwick District Local Council Tax Reduction scheme was agreed in 2013, Universal Credit was in its infancy and therefore the calculation of Council Tax Reduction for those customers in receipt of Universal Credit was based on the default scheme published by the Government, as was the case for most Local Authorities. Customers who are working and pay rent, can receive help towards their housing costs as part of their Universal Credit award, however those who are working and own their property receive no help towards their mortgage. The calculation of Council Tax Reduction, currently means that some Universal Credit customers who pay rent and claim Council Tax Reduction have less to pay towards their Council Tax than those who pay a mortgage, despite receiving the same amount of earned income. Appendix 1 shows the calculation of Council Tax Reduction for a single claimant. Calculation 1 shows the amount of Reduction the customer receives if there is no rental liability, there is no entitlement to Universal Credit and entitlement to Council Tax Reduction is £7.89. Calculation 2 shows the same single customer who has a rental liability of £119.09 per week, which means that Universal Credit of £94.73 is payable and Council Tax Reduction is £12.77 per week.
- 3.5 Legislation has changed the maximum period a claim can be backdated to one month for both working age and pension age customers claiming Housing Benefit and for pension age customers claiming Council Tax Reduction. The Warwick District scheme allows three months backdate for working age customers and therefore it is recommended that the scheme is aligned and backdating reduced to one month.
- 3.6 Non dependant deductions are made where a customer has one or more adults in the property who are not liable to pay Council Tax. The level of deduction is based on the income of the other adults within the property. The level of deduction has changed each year for the prescribed pensioner scheme and the Housing Benefit scheme but deductions have remained the same for working age customers claiming Council Tax Reduction since 2013.
- 3.7 The family premium was abolished in 2016 for customers of Housing Benefit, Universal Credit and the pension age Council Tax Reduction scheme, however it remains within the working age scheme. This means that customers who have children and are in receipt of Universal Credit claiming Council Tax Reduction are worse off than customers who claim and are not entitled to Universal Credit and similarly pensioners who have children and claim Council Tax Reduction. However the removal of the premium would only affect new claims made after the 1st April 2017, therefore protecting those who have a continuous award of Council Tax Reduction.

- 3.8 The Government intends to restrict the number of child premiums included in the calculation of Housing Benefit, Universal Credit and Council Tax Reduction for pensioners to two children. Amending the working age scheme to reflect this change would ensure it remains aligned to the other schemes. If this is not amended, customers who are not yet able to claim Universal Credit would be treated more favourably than those who have to claim.
- 3.9 Universal Credit is gradually being rolled out across the country, currently only single customers who would previously have claimed Job Seekers Allowance are eligible within the Warwick District area. An announcement is expected soon from the Government as to when this will be extended to other customers within the District. If our Council Tax Reduction scheme is not aligned, the total Council Tax collected will reduce as the total reduction paid out increases.

4. POLICY FRAMEWORK

4.1 Fit for the Future

- 4.2 There are no plans to remove the help to people who currently receive assistance to pay their Council Tax; doing so could result in plunging some of the most vulnerable people in society further into poverty. This would contravene the Council's vision to make Warwick District a great place to live, work and visit as set out in the Sustainable Community Strategy.
- 4.3 The consultation will include gathering information to inform an Equality Impact Assessment, this will be presented together with the consultation results to ensure that the recommendations are in accordance with the Fit for the Future policy.

BUDGETARY FRAMEWORK

- 5.1 The Council currently spends around £6.1m in council tax reduction annually, funding for the scheme is no longer separately identifiable within the Revenue Support Grant. With Revenue Support Grant reducing to zero by 2019/20, the Council's cost of the scheme will be met from council tax and retained business rates.
- 5.2 If the scheme remains unchanged, the cost to the council will increase as more Universal Credit rolls out across the District. This will result in less Council Tax collected and the impact on budgets would need to be considered.

6. RISKS

- 6.1 The removal of the family premium and changes to the child premium will reduce the amount a customer can receive in reduction. However, it would ensure that all customers are dealt with fairly. In order to mitigate the effects, all current customers would be protected and the changes would only affect new claims or customers whose children are born after 1st April 2017.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 The current scheme is still complex to administer, and this makes it resource intensive. The administration is still largely funded from the Housing Benefit administration subsidy, as both Housing Benefit and Council Tax Reduction can generally be administered in the same transaction. However, details of full roll out of Universal Credit are expected later in the year and at this point it would

be prudent to begin planning for a more simplified scheme which is less resource intensive and could achieve savings for the Council.

- 7.2 The Council could decide to keep the existing scheme in its current form and make no changes or recommend only some of the changes suggested.

8. BACKGROUND

- 8.1 Council Tax Benefit was paid to persons who had a liability to pay Council Tax and were on a low income; it was a means tested Benefit calculated using an "applicable amount" which was prescribed by the Government each year. The applicable amount was made up of premiums and allowances which was the amount a person, depending on their circumstances was expected to live on.
- 8.2 Those considered to be in vulnerable groups, for example the disabled and those with caring responsibilities, attracted a more generous applicable amount to reflect their circumstances. The applicable amount was compared to the income received by the claimant after certain disregards were applied. In addition certain benefits received by those in vulnerable groups were also disregarded.
- 8.3 If a claimants income was below the amount that the Government determined they should live on and they met certain qualifying criteria, they qualified for an income related Benefit paid by the DWP. These were known as "passported" cases and these claimants automatically qualified for 100% Council Tax Benefit.
- 8.4 The scheme was funded via subsidy received from the Government and authorities received back what they paid out mitigating any risks associated with the scheme such as an increase in the number of claims and annual council tax rises.
- 8.5 From April 2013 the national Benefit scheme was withdrawn and the Government expected Local Authorities to have in place their own Local Council Tax Reduction scheme with the expectation that spending would be reduced by 10%, as reflected in reduced Government Subsidy. This reduced subsidy was calculated by using a forecast of expected Council Tax Benefit expenditure for 2013/14. In addition the Government anticipated that caseloads would fall by around 2.3% nationally and this was factored into the calculation.
- 8.6 The Council is no longer required to submit claims for subsidy to reclaim expenditure and instead the cost of the Reduction scheme is accounted for by making adjustments to the Council Tax Base. The Council Tax Base is the measure of the number of dwellings to which Council Tax is chargeable in the area and is used to calculate the band D Council Tax for both the authority and the pre-cepting authority's. The Council Tax base is the aggregate of the relevant amounts calculated for each of the valuation bands multiplied by the estimated collection rate for the year. The relevant amounts are calculated by taking account of the number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year, this is then adjusted for the number of discounts and reductions that apply to those dwellings.
- 8.7 From April 2013, Warwick District made no change to their Council Tax Reduction scheme. In April 2014, whilst the scheme continued to be means tested and assessed under the same rules as the old Benefit scheme, all

working age customers were required to make a contribution of at least 7.5% towards their Council Tax charge, increasing to 15% from April 2015.

- 8.9 The Government stipulated that any new scheme must protect current and future pensioners and continue to prescribe the rules by which pensioner claims are assessed and they can continue to receive up to 100% reduction in their Council Tax.
- 8.10 The Housing Benefit scheme is still currently in place whilst Universal Credit continues to roll out and we are currently waiting for the Government to announce the expansion of this project in Warwick District. There have been a number of changes to the Housing Benefit scheme and the prescribed scheme for pensioners but our working age scheme has not been amended to reflect these.