

 <b>Executive – 13 November 2013</b>		<b>Agenda Item No.</b>  <b>4</b>
<b>Title</b>	Council Tax Reduction	
<b>For further information about this report please contact</b>	Andrea Wyatt 01926 456831	
<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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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>	Executive July 2013	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	Yes

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	28/10/13	Chris Elliott
Head of Service	28/10/13	Mike Snow
CMT	28/10/13	
Section 151 Officer	28/10/13	Mike Snow
Monitoring Officer	28/10/13	Andrew Jones
Finance	28/10/13	Mike Snow
Portfolio Holder(s)	28/10/13	Andrew Mobbs
Consultation & Community Engagement		
Invitations to participate in the consultation were sent to all benefit recipients who would be affected by the changes and a further 4,000 tax payers chosen at random. Details of the consultation were available on the website, published in the local press and distributed to all one stop shops within the District.		
Final Decision?		Yes – subject to full Council
Suggested next steps (if not final decision please set out below)		

## 1. SUMMARY

- 1.1 The purpose of this report is to provide members with details regarding the outcome of the Council Tax Reduction consultation which ended on the 13<sup>th</sup> October 2013.

## 2. RECOMMENDATION

- 2.1 That members accept the following changes to the Council's reduction scheme for 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2016:-
- 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) A 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 Members agree to establish a council tax reduction hardship fund for 2014/15 of £20,000, with the cost shared between the major preceptors, for claimants having financial difficulty as a result of these changes to be administered on a similar basis to Discretionary Housing Payments; the use of this fund to be subject to a future review ahead of setting the 2015/16 budget.

## 3. REASONS FOR THE RECOMMENDATION

- 3.1 Following the July Executive Report, the proposed changes to the council tax reduction scheme from 1 April 2014 were consulted upon. Over 8,000 residents were contacted, including all of those currently in receipt of a reduction who would be affected by the changes, and a sample of non-claimants. There were 162 responses which are analysed below:-

Proposal	% who agree	% who disagree	% neither agree nor disagree
Everyone should pay at least 7.5% towards their council tax rising to 15% from April 2015	72.3%	28.4%	6.8%
Self employed earners who fail to make a profit after six months should be assessed using an assumed minimum income after 6 months of trading	68.3%	16%	15.5%
Second adult rebate should be removed	76.2%	16.8%	6.8%
The scheme should continue to be more generous to vulnerable people	76.3%	19.2%	4.3%

<b>Respondents</b>	<b>Under 61</b>	<b>Over 61</b>	<b>Receiving council tax reduction</b>	<b>Not receiving council tax reduction</b>
	72.2%	24.6%	25.3%	74.6%

- 3.2 These responses overall supported the proposed changes to the council tax reduction. Accordingly, it is recommended that the changes to the scheme are in line with these recommendations.
- 3.3 Consultation responses suggested there were some concerns around vulnerable people facing financial hardship as a result of these changes and this could be addressed by a hardship fund. Some local authorities have introduced such a fund as part of their council tax reduction scheme. The Council receives Discretionary Housing Payments funding from DWP to assist housing benefit claimants facing hardship. This funding has been increased for the current year due to the Welfare Reforms (Benefits Cap and Under-occupancy charges). This funding is not available to assist council tax. It is recommended that a similar fund of £20,000 for 2014/15 is established to be managed in a similar manner for any claimants facing financial difficulty as a result of these changes to the council tax reduction scheme. Whilst this was not proposed as part of the council tax reduction consultation, it is proposed that this is now factored into the scheme. The use of this fund should be subject to a review ahead of setting the 2015/16 budget.
- 3.4 Under the Regulations, local authorities should confirm their council tax reduction scheme each year before the end of January.

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

##### **4.1 Fit for the Future –**

To remove or reduce the help to people who currently receive assistance to pay their council tax 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. However, the work of Warwick District Council, the County Council and the Police Authority is also important in achieving this vision and it is important to minimise funding cuts wherever possible to help maintain and improve the level of services provided to the whole of the District.

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

- 5.1 In the current year, the total cost of the council tax reduction scheme is £7.5m. The changes proposed to council tax reduction from April 2014 will reduce the amount of support by an estimated £275,000. With the further changes from 2015/16 when all claimants will need to pay a minimum of 15% of their liability, this will reduce the support by a total of £550,000.
- 5.2 The cost of council tax reduction is approximately £7.5m at present. This is a charge on the collection fund which means that the cost is shared between the County Council, the Police & Crime Commissioner and the District Council. This is shared in proportion to respect elements of the council tax. The District

Council share of the £7.5m is approximately £750,000. This will reduce by an estimated £28,000 in 2014/15 and further reducing to £55,000 in 2015/16.

- 5.3 These figures will be fed into the council tax base calculation that is currently being prepared. The tax base calculation needs to include an estimate for non-collection/write-offs. It is recognised that there are likely to be some increased write-offs as a result of these changes that will be factored into the tax base.
- 5.4 The council tax reduction scheme hardship fund of £20,000 to be shared proportionately with the District and major preceptors and will be subject to a review ahead of 2015/16.

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

- 6.1 To retain the existing means tested scheme allowing claimants to receive up to 100% council tax discount, or to reduce the discount by another factor.

## **7. BACKGROUND**

- 7.1 Following the July Executive report, invitations were sent to all working age claimants who would be affected by the changes and 4,000 council tax payers, inviting them to take part in the consultation. An advert was placed in the local press and the consultation was regularly tweeted during the period of consultation. Customers could complete the consultation by scanning a QR code from their mobile devices, on the Council's website, by post or by calling in to any of the libraries within the District.
- 7.2 The consultation proposed the following changes to the council tax reduction scheme:-
  - 7.2 All tax payers should pay at least 7.5% from April 2014 increasing to 15% from April 2015. A phased approach over two years, would help to minimise the impact on those who receive a reduction.
  - 7.3 The current scheme allowing an assessment of reduction to be based on the income of a non tax payer within the household, whilst ignoring the income of the tax payer should be abolished.
  - 7.4 All self employed claimants who fail to make any profit after the first 6 months of trading, should be assessed based on a minimum income as if they were employed. This is consistent with the approach being taken by the Government in introducing Universal Credit.
  - 7.5 The scheme should continue to be more generous towards those claimants considered more vulnerable, such as people with disabilities, those with caring responsibilities and those with children.
  - 7.6 The District Council has a duty to consult with all major precepting authorities and details of the proposed scheme were sent to both the County Council and the Police and Crime Commissioner. The Police opted to reserve comments pending public consultation. The County Council welcomed the measures being considered to deliver the savings and acknowledged the rationale behind the two year phased implementation.