

Title of Report:	Council Tax Reduction Scheme 2014/2015
Report to be considered by:	Council
Date of Meeting:	12th December 2013
Forward Plan Ref:	C2729

Purpose of Report: Legislation requires that for each financial year the Council must consider whether to revise its Council Tax Support Scheme or to replace it with another Scheme. A decision must be made by 31st January each year.

Recommended Action: The recommendation to Council is that, for the purposes of a Council Tax Support Scheme for 2014/15:

1. The CTR Scheme for 2014/15 should replicate that in place for 2013/14 with the single exception that claimants in the unprotected group will be required to pay a minimum of 10% of their Council Tax liability rather than 8.5% as in 2013/14
2. An amount of £6.23m be drawn from Revenue Support Grant to contribute towards funding of the Scheme together with £1.27m income generated by earlier changes to Council Tax discounts
3. That the proposals for addressing variations between estimated and actual costs through the Collection Fund be approved
4. No transfer of funding will be made to parish and town councils.
5. That the associated risks be noted.

Reason for decision to be taken: There is a statutory requirement to adopt a Scheme for each financial year by 31st January in the preceding financial year

Other options considered: Covered in section 5 to the report

Key background documentation: Report to Council on 13th December 2012 "Council Tax Support Scheme" (agenda item 16) supported by report "Technical Reforms to Council Tax" (agenda item 17) to the same meeting.

The proposals contained in this report will help to achieve the following Council Strategy priority:

CSP1 – Caring for and protecting the vulnerable

The proposals will also help achieve the following Council Strategy principle):

CSP6 - Living within our means

The proposals contained in this report will help to achieve the above Council Strategy priority and principle by:

Putting into place a Scheme which provides support on low income in order that they may meet their Council Tax liabilities whilst ensuring that such a Scheme remains affordable for the Council and its Council Tax payers in general.

Portfolio Member Details

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Date Portfolio Member agreed report:	28 Nov 2013

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Implications

Policy:	If the recommendation to this report is accepted by Council it will establish the Council's policy for Council Tax Support for the year 2014/15. In view of the statutory requirements this policy will need to be refreshed for 2015/16 and for each subsequent year.
Financial:	Claimant entitlements, Revenue Support Grant funding and income from reduced Council Tax discounts all affect the likely cost of the Scheme. The cost of the Scheme may be higher or lower than estimated and any surplus/deficit will be managed through the Collection Fund. Based upon existing caseload, the cost of an unchanged Scheme in 2014/15 would be £7.49m whereas, if the recommendation is accepted, this cost would reduce to £7.44m. The recommendation requires a Revenue Support Grant contribution of £6.23m with the balance being met from income generated by earlier changes to Council Tax discounts (£1.27m).
Personnel:	None
Legal/Procurement:	None
Property:	None
Risk Management:	The level of Government funding will not be known until after the Council has to make its decision on a Scheme for 2014/15. Assumptions have been made based on information available

but it seems highly likely that, given the Government's Government fiscal policy and our reducing caseload, the Council will see a reduction in this funding. The specific risks are:

- Reduction in Government grant
- Changes in the number of claimants entitled to support
- Changes in the number of claimants within each of the four groups identifying the level of protection they receive
- Changes in Council Tax liabilities affecting the amount of additional income from discounts and exemptions

Is this item relevant to equality?	Please tick relevant boxes		Yes	No
Does the policy affect service users, employees or the wider community and:				
• Is it likely to affect people with particular protected characteristics differently?	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
• Is it a major policy, significantly affecting how functions are delivered?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
• Will the policy have a significant impact on how other organisations operate in terms of equality?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
• Does the policy relate to an area with known inequalities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)				
Relevant to equality - Complete an EIA available at www.westberks.gov.uk/eia			<input checked="" type="checkbox"/>	
Not relevant to equality			<input type="checkbox"/>	

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input checked="" type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>
Report is to note only		<input type="checkbox"/>

Executive Summary

1. Introduction

- 1.1 West Berkshire's Council Tax Reduction Scheme replaced Council Tax Benefit from 1st April 2013 and provides assistance to those on low income in order that they may pay their Council Tax. Each Council is required to establish its own local Scheme for Council Tax Support and, if they do not do so, a default Scheme is imposed by Central Government and which will have the potential to create additional financial pressures.
- 1.2 The report focuses on affordability of the current Scheme if carried forward to 2014/15 and takes account of Government funding, anticipated caseload and the potential impact on Council Tax collection performance. Government funding is to be received within unringfenced Revenue Support Grant rather than as a specific grant. Revenue Support Grant is subject to annual reduction. Lower levels of active caseload and Scheme costs may well be reflected in further reductions in the scale of Government funding.
- 1.3 This report seeks the establishment of a Scheme for 2014/15 and draws together information about existing caseload and costs together with indicative values for the year 2014/15 and the lower level of Government support available. The total amount of support is expected to be reduced depending upon how it is allocated. The Government's Transition Grant of £170k received in 2013/14 allowed us to change the original proposals for a claimant contribution of 10% to 8.5% for those claimants in the unprotected group. That grant will not be received in 2014/15.
- 1.4 Section 4 of the report deals with Government grant funding in detail, explains how there is little certainty as to the actual level of grant to be received in 2014/15 and the difficulties that this presents in being able to develop proposals for 2014/15. This section also deals with the issues of passing an element of grant to parish and town councils. The Government have given no clear identification of any grant intended for parish and town councils and this Council will not be in a position to make such a payment unless the Government reverses its position on the matter.
- 1.5 Section 5 develops matters further by looking at the anticipated caseload and costs for 2014/15. Options for change are explained with information given as to the impact on caseload and costs. Section 5.5 illustrates the cost of an unchanged Scheme to be £7.49m falling to £7.44m for a Scheme where the unprotected claimant's minimum contribution is increased from 8.5% to 10%.

2. Equalities Impact Assessment Outcomes

- 2.1 This report follows on from the report "Council Tax Reduction Scheme" submitted to Council on 13th December 2012 in respect of which a full assessment was made. The major impact relates to financial debt across all groups. The Scheme provides financial assistance towards Council Tax liabilities for low income residents.
- 2.2 Pensioners and vulnerable persons (those in receipt of disability benefits) are protected and will receive support of up to 100% of their liability. Working age claimants outside the vulnerable group will not receive full support and will be required to make a contribution themselves. For these cases a hardship Scheme is

in place where each will be assessed on an individual basis if their circumstances give rise to any vulnerability.

3. Proposals

3.1 Section 7 to the report deals with the proposals:

- (1) Due to the diminishing funding via Revenue Support Grant there is a need to make an assumption as to the level of that grant to be used for Council Tax Support;
- (2) The way in which this uncertainty could result in a shortfall in funding and how this may be addressed, Comparisons are made to other areas where uncertainty is treated in a similar manner;
- (3) No transfer funding by West Berkshire to parish and town councils will take place;
- (4) In the light of diminishing funding, and following an appraisal of options within this section, the preferred Scheme for recommendation to Council is for the 2013/14 Scheme to be carried forward unchanged to 2014/15 apart from an increase to the minimum contribution for unprotected claimants from 8.5% to 10%.

4. Recommendations

4.1 The recommendation to Council is that, for the purposes of a Council Tax Support Scheme for 2014/15:

- (1) The CTR Scheme for 2014/15 should replicate that in place for 2013/14 with the single exception that claimants in the unprotected group will be required to pay a minimum of 10% of their Council Tax liability rather than 8.5% as in 2013/14
- (2) An amount of £6.23m be drawn to from Revenue Support Grant to contribute towards funding of the Scheme with the balance being met from income generated by earlier changes to Council Tax discounts (£1.27m).
- (3) That the proposals for addressing variations between estimated and actual costs through the Collection Fund be approved
- (4) No transfer of grant funding will be made to parish and town councils.
- (5) That the associated risks be noted.

Executive Report

1. Introduction

- 1.1 Council Tax Reduction replaced Council Tax Benefit from 1st April 2013 and provides assistance to those on low income in order that they may pay their Council Tax. Legislation requires that each billing authority is required to establish its own local Scheme and to review that Scheme annually. This must be done by 31st January each year. Failure to do so will result in the imposition of a “default” Scheme which will have the potential to create further financial pressures.
- 1.2 This report seeks the establishment of a Scheme for 2014/15 and draws together information about existing caseload and costs together with indicative values for the year 2014/15 and the likely lower level of Government funding available. The level of Government funding is not yet known.
- 1.3 The report focuses on the perceived cost of the current Scheme if carried forward to 2014/15 and takes account of existing Government funding, anticipated caseload and the potential impact on Council Tax collection performance.

2. Experience and impacts of the Scheme adopted for 2013/14

- 2.1 The Scheme adopted by the Council at its meeting on 13th December 2012, following earlier wide consultation, mirrored the previous Council Tax Benefit Scheme with the following specific conditions:
 - (1) Pensioners and those in the vulnerable group (identified as being those in receipt of various forms of disability benefit) were protected so that they would see no change in their level of entitlement to assistance with Council Tax charges. This was in response to a Government ruling that such protection should be in place
 - (2) The maximum amount of support available to other claimants would be limited to 91.5% of the net Council Tax due, after discounts and other forms of reduction. This means that all claimants outside the two protected groups are required to pay at least 8.5% of their Council Tax liability.

3. Impact on Council Tax collection

- 3.1 The introduction of partly funded Council Tax Reduction as a replacement for a fully funded Council Tax Benefit had the potential for a significant detrimental impact on Council Tax collection. The degree to which this impact would be felt was very much dependent upon the extent to which the adopted Scheme required a contribution from Council Tax payers outside the vulnerable groups.
- 3.2 The full impact cannot be assessed with certainty until the end of the financial year as our collection/enforcement process continues throughout the year and on into subsequent years. However initial data suggests Council Tax collection rates are holding up well with only a marginal variation from the previous year.

4. Government funding for a Scheme in respect of 2014/15

- 4.1 The Council Tax reduction Scheme takes the form of a discount on the Council Tax bill and, like other discounts (e.g. the single person’s 25 per cent discount), has the

effect of reducing the council's Council Tax base. Reducing the tax base means that, if the council's budget requirement remained the same, the amount of Council Tax charged would increase, or if Council Tax was not increased the income generated would reduce. This applies to billing authorities and major precepting authorities (the Fire Authority and the Police and Crime Commissioner), as well as local precepting authorities (town and parish councils).

- 4.2 To mitigate the impact of the reduced Council Tax base, each year the Government is distributing to billing authorities and major precepting authorities, via revenue support grant and business rates retention, a grant that is not ring fenced.
- 4.3 Fundamental to any decision on the future model for West Berkshire's CTR Scheme must be the extent to which Central Government funding is available. However there is no certainty as to the level of grant and this is likely to remain the case until after the Council needs to make its decision on a Scheme for 2014/15.
- 4.4 We already know that Revenue Support Grant is to be reduced by 18.5% in 2014/15. We also know that, because of our reducing caseload, our relative share of the national funding in respect of Council Tax Reduction schemes will almost certainly be reduced.
- 4.5 Although the Government identified the specific amount attributable to local precepting authorities in 2013/14 it has said it will not do so for 2014/15
- 4.6 As the decision making process for the 2013/14 Scheme progressed, the Government made a late stage Government announcement of a Transition Grant Scheme for those authorities who adopted Schemes that comply with criteria set by Government to ensure that low income households did not face an extensive increase in their Council Tax liability in 2013-14. This funding was intended to enable councils to explore more sustainable approaches to managing the funding reduction which minimised the impact on vulnerable taxpayers. In response to this the Scheme proposals were modified so that the only change from the Council Tax Benefit Scheme was the requirement of a minimum 8.5% contribution from unprotected claimants rather than the 10% originally proposed. Government have stated that this grant will not continue into 2014/15
- 4.7 Because the level of Government funding has such a significant impact; assumptions have to be made as to the level which will be available in 2014/2015. There is certainly a considerable degree of risk in doing so but unless Council accept that risk it will not be possible to define a Scheme for 2014/15.

5. Other matters for consideration - Caseload

- 5.1 The other equally significant factor is the anticipated caseload level for 2014/15 as this will drive the cost of the Scheme and we have seen a gradual reduction in the last year. Indicative values for an unchanged Scheme suggest a caseload of 7,937 and a cost of £7.49m. Details of this change in caseload are shown in the table below

	Pensioners	Working age vulnerable	Working age but not working	Working age on low income or in receipt of other benefits	Total number of claimants
October 2012	4,010 (£3.85m)	400 (£0.30m)	1,848 (£2.03m)	2,069 (£1.93m)	8,327 (£8.11m)
October 2013	3,775 (£3.89m)	1,677 * (£1.84m)	1,231 (£0.82m)	1,460 (£1.43m)	8,143 (£7.98m)
Anticipated 2014/15	3,677 (£3.57m)	1,555 (£1.67m)	976 (£0.63m)	1,729 (£1.62m)	7,937 (£7.49m)

*This change in values was caused by a discrepancy in the computer software used to identify claimants within the four groups and affected other councils

- 5.2 Changes to the Scheme will inevitably impact on caseload both in terms of eligible applicants and the cost of the Scheme. Proposed changes to the Scheme from that currently in place should not be outside the principles upon which the earlier consultation took place as advice received is that this would require further wide consultation. Such consultation could not be effectively achieved within the constraints imposed by the Council's own decision making timetable and the need to have a Scheme in place by 31st January 2014.
- 5.3 The Scheme adopted for 2013/14 does vary from that upon which earlier consultation had taken place. This is because the Transition Grant provided additional funds to allow the Council to change the minimum payment requirement from 10% to 8.5% and to retain the capital limit of £16k rather than the proposed limit of £6k. It would therefore be possible to vary the Scheme to change the limits whilst remaining within the scope of the original consultation.
- 5.4 Three alternative options for change have been modelled based on the anticipated caseload for 2014/15 each of which and which may be adopted alone or in combination with others. Only option (1) is carried forward to a recommendation as it represents the most sustainable approach to managing the funding reduction whilst also seeking to minimise the impact on vulnerable taxpayers. The table below illustrates impact on caseload and Scheme cost for each option:

Option	Number of claimants ceasing to receive support under this proposal	Reduction in Scheme cost	Cost of Scheme
(1) Increase minimum liability from 8.5% to 10% - Recommended	45	£50k	£7.44m
(2) Reduce capital limit to £10k – Not Recommended	26	£10k	£7.48m
(3) Reduce capital limit to £6k – Not Recommended	65	£39k	£7.45m

- 5.5 Assuming no increase in Council Tax charges, no significant change in caseload and continuation of the current Council Tax Reduction Scheme (with a requirement for an 8.5% contribution from those in the unprotected groups) indications are shown in the table below along with the effect of increasing that contribution to 10%:

	Anticipated costs in October 2012	Current values in October 2013	Assuming retention of 8.5% claimant contribution	Assuming 10% claimant contribution
Cost of Scheme;	£7.73m	£7.54m	£7.49m	£7.44m
Less Revenue Support Grant support	-£6.98m	-£5.98m	-£6.23m	-£6.23m
Transition grant	-£0.17m	-£0.17m		
Less income generated by the changes certain Council Tax discounts and exemptions from 1st April 2013	-£0.58m	-£0.58m	-£1.23m	-£1.23m
Balance of cost over available funding	£0.0m	£0.81m shortfall in funding	£0.03m shortfall in funding	-£0.02m Surplus funding

6. Going forward

- 6.1 There is a requirement for the Council's Scheme to be considered annually and officers propose to commence this process during the early part of 2014/15 when more comprehensive information will be available.

7. Proposals

- 7.1 As Council Tax Support is a form of Council Tax discount it falls within the Collection Fund arrangements. It is therefore proposed that any variation between the anticipated and actual Scheme costs (including grant levels) will be addressed

within the Collection Fund where any surplus or deficit is addressed in the following year. This mirrors existing arrangements for the treatment of variations between anticipated and actual levels of Council Tax Debit. It also follows the pattern in place for Housing Benefit grant where grant is received based upon estimated values of claims paid and a final adjustment is made following audit during the course of the next financial year.

- 7.2 The uncertainty surrounding the amount of funding presents difficulty, however it is essential that an assumption is made in order to model a Scheme for 2014/15. For this reason a Revenue Support Grant contribution of £6.23m is proposed, this being the amount of Government funding received in 2013/14 and taking at face value the statement from Government that the amount of this funding will, in cash terms, remain the same. This is the only specific figure currently identified in relation to this matter. Where this approach produces either a surplus or deficit in funding it will be managed through the Collection Fund arrangements.
- 7.3 The uncertainty relating to the amount of grant also impacts on a decision as to whether grant funding is to be passed over to parish and town councils. These bodies have been advised that, in the absence of a specific grant for that purpose, no transfer will take place.
- 7.4 There are options to reduce Scheme costs shown at section 5.4.
- 7.5 For each option the anticipated income generated by the ongoing effect of the Council's decision to exercise its discretion in respect of certain types of Council Tax discount and exemption will be £1.23m.
- 7.6 Having regard to the above it is proposed that the CTR Scheme for 2014/15 should replicate that in place for 2013/14 with the single exception that claimants in the unprotected group will be required to pay a minimum of 10% of their Council Tax liability rather than 8.5% as in 2013/14
- 7.7 In support of this recommendation officers consider that this amendment:
- (1) Remains within the scope of the earlier consultation process
 - (2) Is affordable for the Council
 - (3) Is an acceptable solution in terms of clarity and sustainability to claimants
 - (4) Does not increase the Council Tax burden for taxpayers in general
 - (5) Contributes to maintaining the current high level of Council Tax collection.
 - (6) Does not introduce additional administration costs

8. Recommendation

- 8.1 The recommendation to Council is that, for the purposes of a Council Tax Support Scheme for 2014/15:

- (1) The CTR Scheme for 2014/15 should replicate that in place for 2013/14 with the single exception that claimants in the unprotected group will be required to pay a minimum of 10% of their Council Tax liability rather than 8.5% as in 2013/14
 - (2) An amount of £6.23m be drawn to from Revenue Support Grant to contribute towards funding of the Scheme with the balance being met from income generated by earlier changes to Council Tax discounts (£1.27m).
 - (3) That the proposals for addressing variations between estimated and actual costs through the Collection Fund be approved
 - (4) No transfer of grant funding will be made to parish and town councils.
 - (5) That the associated risks be noted.
- 8.2 In making this recommendation officers do need to remind Council that all figures are based upon indicative values and best estimates. Some of these figures will inevitably change during the course of the remainder of this year and certainty as to the level of grant will not be in place until after the Council has to make this decision.

Appendices

There are no appendices attached to this report.

Consultees

Local Stakeholders: Not consulted on this report but were consulted in 2012 on the Scheme proposed now

Officers Consulted: Andy Walker, Head of Finance

Trade Union: Not consulted