

Title of Report:	Council Tax Reduction Scheme 2015/2016
Report to be considered by:	Council
Date of Meeting:	11 December 2014
Forward Plan Ref:	C2884

Purpose of Report: To establish West Berkshire's 2015/16 Council Tax Reduction Scheme for taxpayers on low income.

Recommended Action: That the Council Tax Reduction scheme adopted for 2014/15 shall continue for the year 2015/16 and that, apart from pensioners and vulnerable groups, the maximum amount of support will continue to be 90% of the claimant's council tax liability

Reason for decision to be taken: Legislation requires annual consideration of the Council Tax Reduction scheme

Other options considered: To adopt a modified scheme.

Key background documentation: None

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:

Keeping in place a support scheme which is affordable and offers the maximum amount of support available to those on limited means.

Portfolio Member Details	
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Date Portfolio Member agreed report:	E-mailed to Councillor Law on 10 November 2014

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Implications

- Policy:** The recommendation, if agreed by Council, will continue the Council Tax Reduction scheme policy with no change from 2014/15
- Financial:** The cost of the Council Tax Reduction Scheme is included in the Council's Medium Term Financial Strategy. Assuming the same caseload as at early October it is anticipated that the cost of Council Tax Reductions will be £6.953m compared to a 2014/15 cost of £6.862m. This estimate takes account of:
- (1) age related changes as working age claimants move into the pensionable age group; and
- (2) The allowances used in the calculation process for the working age groups are based on the 1% cap that the government will be using for welfare benefits next year. For the Pension Age and Vulnerable CTR we have used 1.2%, which is CPI as at the end of September 2014 mirroring arrangements for 2013/14
- (3) An assumption of no overall % increase in council tax charges arising from other preceptors, including parish and town councils.
- Personnel:** None
- Legal/Procurement:** None
- Property:** None
- Risk Management:** The report makes assumptions about caseload and costs based upon similar figures as at mid October 2014. Whilst significant variance from these figures is not anticipated there is always a risk that circumstances outside the Council's control will change caseload and/or cost
- Corporate Board's Recommendation:** The report was accepted with minor alterations which have now been made.

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 checked="" type="checkbox"/>	<input type="checkbox"/>
• Does the policy relate to an area with known inequalities?		<input checked="" type="checkbox"/>	<input 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"/>
<p>If not subject to call-in please put a cross in the appropriate box:</p> <p>The item is due to be referred to Council for final approval <input checked="" type="checkbox"/></p> <p>Delays in implementation could have serious financial implications for the Council <input type="checkbox"/></p> <p>Delays in implementation could compromise the Council's position <input type="checkbox"/></p> <p>Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months <input type="checkbox"/></p> <p>Item is Urgent Key Decision <input type="checkbox"/></p> <p>Report is to note only <input type="checkbox"/></p>		

Executive Summary

1. Introduction

- 1.1 This report recommends a proposal to carry forward the West Berkshire Council Tax Reduction Scheme from 2014/15 to 2015/16.
- 1.2 Every year the Council must decide whether to keep the existing Council Tax Reduction Scheme or revise it. Legislation requires that the decision must be made by full Council.
- 1.3 This report does not discuss the scheme for people of pension credit age as this is prescribed by law and cannot be changed. Pensioners will get their support calculated as before with a maximum reduction of 100%.
- 1.4 Under the 2014/15 scheme claimants in group defined as vulnerable may also receive a maximum reduction of 100%.
- 1.5 In all other cases, the support available to working age claimants is so that they are required to pay at least 10% of their council tax bill.
- 1.6 The Council's scheme already includes a provision for an inflation linked annual up rating of the various allowances and deductions used in the calculation process. This mirrors the process used for Housing Benefit and other welfare benefits where details of the annual adjustment are supplied by the Department for Work and Pensions.

2. Proposals

- 2.1 The Council could
 - (1) Decide to continue the current scheme into 2015/16; or
 - (2) Vary the current scheme; or
 - (3) Adopt a completely different scheme.
- 2.2 For reasons set out in the main body of the report, the proposal is to continue the current scheme into 2015/16 making no change apart from those caused by the annual up rating.

3. Equalities Impact Assessment Outcomes

- 3.1 The West Berkshire Council Tax Reduction Scheme came into effect on 1st April 2013 and was subject to detailed consultation prior to submission of a report to Council. This consultation proposed a maximum reduction of 90% for working age claimants who were not in the vulnerable group.
- 3.2 Subsequent to the consultation process the offer of additional government grant allowed the Council to increase the amount of reduction to 91.5%. This grant was for one year only and, for 2014/15, the maximum reduction of 90% was applied.
- 3.3 Advice about the need to consult further has been sought from the Head of Legal Services and the Performance, Research and Consultations Manager. They have

advised that, as the proposed scheme for 2014/15 replicates that on which earlier consultation took place, further consultation is not a legal requirement. Furthermore, meaningful consultation would be impractical where the only proposed adaptation to the scheme (up-rating of benefit levels referred to in 1.6 above) is more favourable to consultees than the alternative option of freezing benefit levels.

- 3.4 The scheme design positively discriminates in favour of pensioners and vulnerable persons by permitting reductions of up to 100% of their council tax charges. Legislation requires this to be the case and, as such, it does not present any equality issues.

4. Costs

- 4.1 Assuming the same caseload as at early October 2014 it is anticipated that the cost of Council Tax Reductions will be £6.953m compared to a 2014/15 cost of £6.862m. This estimate takes account of:

- (1) Age related changes as working age claimants move into the pensionable age group; and
- (2) The allowances used in the calculation process for the *working age* groups are based on the 1% cap that the government will be using for welfare benefits next year. For the *Pension Age* and *Vulnerable* CTR we have used 1.2%, which is CPI as at the end of September 2014 mirroring arrangements for 2013/14.

- 4.2 The cost of the Council Tax Reduction Scheme is included in the Council's Medium Term Financial Strategy.

5. Conclusion

- 5.1 The report recommends a Council Tax Reduction Scheme which remains affordable for the Council,
- 5.2 Offers significant support to those of working age and maximum support to pensioners and those in vulnerable groups. The scheme has proved to be understandable to claimants and continuation fits with the overall aim of no increase in the level of council tax for 2015/16

Executive Report

1. Introduction

- 1.1 On 1st April 2013 Council Tax Reduction replaced Council Tax Benefit as a means to assist taxpayers on limited income to afford their Council Tax liability.
- 1.2 Every billing authority was required to establish its own scheme in accordance with specific requirements. These requirements included protecting pension age customers from any local variation in Council Tax Reduction from the level of assistance previously available to them under Council Tax Benefit. This meant that, for these groups, relief of up to 100% of the council tax liability must be available. Protection could be extended to other locally defined vulnerable groups at the discretion of each Local Authority. In accordance with the outcome of 2012 consultation, this Authority has adopted a relatively broad definition of vulnerability (para 2.2 below), protecting this category of claimant in the same manner as it does for pensioners. For other claimants (i.e. those of working age and not in the vulnerable group) no such protection applies.
- 1.3 Legislation requires that, every year the Council must decide whether to keep the existing Council Tax Reduction scheme or revise it. The decision to adopt a scheme must be taken by full Council.
- 1.4 This report offers proposals for a scheme for 2015/16 to be adopted by West Berkshire Council and makes a recommendation as to the one to be adopted.

2. Description of the current scheme

- 2.1 The current scheme is based on the following principles:
 - (1) Claimants of pension age remain a protected group and may receive a reduction of up to 100% of the council tax they are otherwise liable to pay
 - (2) Claimants in the vulnerable group also remain a protected group and they too may receive a reduction of up to 100% of the council tax they are otherwise liable to pay
 - (3) Claimants of working age and not in the vulnerable group may receive a reduction of up to 90% of the council tax they are liable to pay.
- 2.2 The vulnerable group has been defined as households where the claimant or their partner is:
 - (1) In receipt of Disability Living Allowance or Personal Independence Payment
 - (2) In receipt of Attendance Allowance
 - (3) In receipt of a War Pension
 - (4) In receipt of a disability element of Working Tax Credit
 - (5) In receipt of Severe Disablement Allowance
 - (6) In receipt of Incapacity Benefit at the long term rate or, if they are terminally ill, the short term higher rate

- (7) In receipt of Employment and Support Allowance (income or contribution based)
- (8) Responsible for a child that lives with them and receives Disability Living Allowance or Personal Independence Payment.

2.3 In all cases, entitlement to a reduction is means tested and even protected groups may be entitled to a reduction of less than 100% dependent upon their remaining income after taking account of various allowances relevant to the scheme.

3. Claimant volumes and costs

3.1 As at 6th October 2014 the live Council Tax Reduction caseload was 7,678 (out of 66230 council tax accounts). Of these, 3,648 received a reduction of 100% of their council tax liability and 4,030 received less than 100% meaning that they have to make a payment of council tax. Details are as follows:

Group	Live claims	Maximum support	Less than maximum support
Pensioners	3,601	2,082	1,519
Vulnerable	1,774	1,554	220
Working age employed	1,121	5	1116
Working age other	1,182	7	1175
Total	7,678	3,648	4,030

3.2 It remains a legal requirement under Section 13A of Local Government Finance Act 1992 (as amended), to consider whether individual circumstances are sufficiently exceptional to reasonably require liability to be further reduced following the deduction of Council Tax Reduction. The Exceptional Hardship Scheme exists to assist those households where, as the name suggests, exceptional hardship occurs and eligibility has been confirmed according to rules outside the main Council Tax Reduction Scheme. The 5 claimants in the group Working Age employed and the 7 in the group Working Age Other receive 100% support because they receive additional assistance through the Exceptional Hardship Scheme.

3.3 The cost of Council Tax Benefit and, since 1st April 2013 Council Tax Reduction, has reduced over time:

2011	2012	2013	2014
£8,054,115.96	£7,923,334.09	£7,476,534.58	£6,862,263.93

3.4 This was due to changing caseload and, from 1st April 2013, the restriction on the amount of support for working age claimants

3.5 For 2011 and 2012 the cost of Council Tax Benefit was fully covered by government grant. Localisation of council tax benefit was accompanied by a 10% cut in forecast supported expenditure for 2013/14 with the Government funding the residual grant, estimate at 90% of the cost of the scheme, through Departmental Expenditure Limit rather than Annually Managed Expenditure.

- 3.6 A consequence of this is that, although funding for council tax support can be identified within the Council's overall settlement funding assessment figures in 2013/14, from 2014/15 onwards this funding is impossible to identify separately. Although the Government claims that the top level transfer indicates that Council Tax Reduction funding has not been cut further, in practice the Council's allocation has been and will continue to be reducing.
- 3.7 West Berkshire, in common with many other Councils, sought to address the shortfall in funding for Council Tax Reductions by using new powers to vary the amount of discount or exemption afforded to certain classes of vacant property. For 2013/4 this was anticipated to generate income to offset against the cost of the Council Tax Reduction Scheme. As this decision led to the cessation of those discounts and exemptions there is no longer data available to assess a current value for the income generated by this decision.
- 3.8 Because of this, and taking account of the fact that both the cost of Council Tax Reductions, additional council tax income generated and reducing grant meet together in the Council's budget process, the only remaining reliable measure is the actual amount of Council Tax grant reduction each year.

4. Impacts of the current scheme

- 4.1 It seems inevitable that, where a scheme restricts the amount of support available to those on limited income, some negative impact will be felt by both claimants and by the Council
- 4.2 The extent to which this may be so in the case of claimants does, to a certain extent, depend upon anecdotal evidence where we can say that:
- (1) There has been very little negative feedback
 - (2) Only a small number of claimants (12) have, on further investigation, been found to be in need of additional support through the Exceptional Hardship fund
 - (3) Advice agencies have not identified any problems with the scheme
 - (4) There have been no appeals to the Valuation Tribunal Service, the independent body dealing with such matters.
 - (5) There have been no legal challenges to the scheme itself whereas Councils which have adopted more radical and less generous schemes have faced such challenges.
- 4.3 The other area where an impact would show is the collection rate for council tax for council tax. This is measured each month with a comparison made to the collection rate at the same point in the preceding financial year. In both 2013/14 and 2014/15 the collection rates have not varied significantly from that experienced in 2012/13 and preceding years.
- 4.4 Another area for comparison has been suggested to be the number of Council Tax Reduction claimants who fall into the Council Tax recovery and enforcement process. As at 6th October 2014 details were:

Group	Summons issued	Liability order Obtained
Pensioner	32	20
Vulnerable	59	55
Working age employed	126	105
Working age other	255	166
Total	472	346

4.5 Whilst the above figures do present a factual statement as to the number of each document issued it has to be recognised that there are limitations:

- (1) It has not been possible to establish whether entitlement to Council Tax Reduction preceded the issue of the documents or whether the issue of the documents prompted the application for assistance
- (2) It has not been possible to establish whether these claimants did, as a matter of course, receive such documents in preceding years.

4.6 6.15% of the caseload received a summons for non payment and this does compare reasonable well with the value for all council taxpayers during 2013/4 where 5.81% of accounts are shown as having received a summons.

4.7 Based upon the above, whilst it is inevitable that individual households will have experienced some impact and with no wish to deny such impact, it does seem that the overall effect has been one of acceptance by claimants and no detriment to council tax collection. The availability of the Exceptional Hardship Scheme has provided protection for those in more difficult circumstances.

5. Consultation

5.1 Widespread consultation was carried out on the initial scheme proposed for introduction on 1st April 2013. This proposed scheme was built around protection for pensioners and vulnerable groups and a maximum reduction of 90% for working age claimants.

5.2 Following this consultation the Council was able to reduce the contribution required from working age claimants by increasing the maximum reduction allowed to 91.5%. This was possible because the Government had made a one-off grant to all billing authorities.

5.3 No such grant was available in 2014/15 and, as a consequence the scheme reverted to that upon which original consultation had taken place.

5.4 Advice about the need to consult further has been sought from the Head of Legal Services and the Performance, Research and Consultations Manager. They have advised that, as the proposed scheme for 2014/15 replicates that on which earlier consultation took place, further consultation is not a legal requirement. Furthermore, meaningful consultation would be impractical where the only proposed adaptation to the scheme (up-rating of benefit levels referred to in 1.6 above) is more favourable to consultees than the alternative option of freezing benefit levels.

6. Proposals

6.1 There are three options available to the Council as it considers the scheme for 2015/16

- (1) Adopt a new scheme with significant change from that adopted for 2014/15 and 2013/14
- (2) Retain the 2014/15 scheme with minor adjustment
- (3) Retain the 2014/15 scheme with no change

6.2 Option 3 is the preferred option because

- (1) The administration has stated an intention to have no increase in West Berkshire Council's Council Tax charge for 2015/16 (the charges for other preceptors are outside the scope of this statement). Retention of the existing scheme supports that intention in so far as it affects the council tax bill for individual claimants
- (2) It is a scheme with which claimants are familiar and has considerable synergy with the earlier Council Tax Benefit scheme and with Housing Benefit. This means that there is less confusion for claimants than would otherwise be caused by different eligibility criteria and information needs
- (3) It is a "safe" scheme which fits well with schemes offered by the majority of billing authorities. Where such authorities have designed more radical schemes there is increasing evidence of legal challenge
- (4) It is a scheme which minimizes administrative difficulty and additional costs. With two years experience of using such a scheme the software has proved to be up to the task and staff are fully acquainted with operation.
- (5) The scheme appears to have little effect on the overall collection of council tax. Collection performance remains at the same level as in preceding years and the number of claimants falling into the debt recovery process is very low. Where individual circumstances require the provision of additional support the Exceptional Hardship Fund is being used to provide that support.

6.3 For the reasons given above, the alternative option of a revised scheme has not been considered further but this does remain an option which could be recommended in the future.

7. Financial implications

7.1 Section 3 to this report highlights the difficulty in assessing the true current cost of Council Tax Reduction schemes in the light of both changes to Government Grant funding and income raised by a decision to vary the cost of discounts.

7.2 Assuming the same caseload as at early October it is anticipated that the cost of Council Tax Reductions will be £6.953m compared to a 2014/15 cost of £6.862m. This estimate takes account of:

- (1) Age related changes as working age claimants move into the pensionable age group; and
- (2) The allowances used in the calculation process for the *working age* groups are based on the 1% cap that the government will be using for welfare benefits next year. For the *Pension Age* and *Vulnerable* CTR we have used 1.2%, which is CPI as at the end of September 2014 mirroring arrangements for 2013/14.

7.3 The cost of the Council Tax Reduction Scheme is included in the Council's Medium Term Financial Strategy.

8. Recommendation

8.1 The recommendation is that the scheme for 2014/15 be carried forward unchanged to 2015/16 offering the same level of protection to pension age and vulnerable claimants and a maximum support of 90% of the council tax bill for working age claimants. This scheme also allows for annual up rating of various financial items included in the calculation process which shall mirror those published by the Department for Work and Pensions for Housing benefit

Appendices

There are no Appendices to this report.

Consultees

Local Stakeholders: Not consulted for reason shown in body of report

Officers Consulted: Andrew Wheldon, Principal Benefits Officer
Jason Teal, Research and Consultations Manager
Sarah Clarke, Team Leader Legal Services
Corporate Board

Trade Union: Not consulted