

# REPORT FOR DECISION

<b>REPORT TO:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>30 NOVEMBER 2016</b>
<b>SUBJECT:</b>	<b>LOCAL SCHEME OF COUNCIL TAX SUPPORT</b>
<b>REPORT FROM:</b>	<b>COUNCILLOR SANDRA WALMSLEY CABINET MEMBER FOR STRATEGIC HOUSING &amp; SUPPORT SERVICES</b>  <b>COUNCILLOR JANE LEWIS, DEPUTY LEADER &amp; CABINET MEMBER FOR FINANCE &amp; HR</b>
<b>CONTACT OFFICER:</b>	<b>STEVE KENYON , INTERIM EXECUTIVE DIRECTOR OF RESOURCES AND REGULATION</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	The report is for publication.
<b>SUMMARY:</b>	The report provides Members with an up-date on the local Council Tax Support scheme and sets out recommendations to continue to deliver a local scheme within the available budget.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	Council is asked to agree that the Scheme introduced with effect from 1st April 2013 is amended from 1st April 2017 to 31st March 2018 in line with the recommendations set out in the report.
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework?      Yes

<p><b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b></p>	<p>The financial implications arising from the report are centred around the large cut in Government funding that accompanied the localisation of Council Tax support. The existing scheme was designed to address this gap while providing as much protection as possible for the most vulnerable claimants.</p> <p>The performance of the scheme is closely monitored and to date caseload and collection are within anticipated projections. However, given the fixed nature of the government grant to fund the scheme, the risk continues that increased take up or reductions to the income of existing claimants will have a direct impact on local authorities.</p> <p>It is now necessary to revise the scheme to reflect future cost forecasts.</p> <p>It is strongly recommended that Members do not seek to absorb the loss of Government funding from within existing resources due to pressures on the Council's budget in future years.</p>
<p><b>Statement by Executive Director of Resources:</b></p>	<p>In considering the nature of the local scheme, it is important to recognise that collecting increased, or any, Council Tax from people who previously had higher levels of Council Tax Benefit is both challenging and costly. However, the comment by the s151 Officer regarding the lack of available existing resources to cover the funding cut is fully supported.</p>
<p><b>Equality/Diversity implications:</b></p>	<p>A comprehensive Equality Impact Assessment on the 2013/14 scheme was completed following consultation. An Equality Impact Assessment has been completed in respect of the proposed changes.</p>
<p><b>Considered by Monitoring Officer:</b></p>	<p>It is the duty of the Council to have localised council tax support, in the form of a council tax reduction, in place by 31 January in each year. The enabling provisions are contained in section 10 of the Local Government Finance Act 2012, This allows the Council to use its discretion to design schemes for support for those not of pension age but contains requirements that certain elements must be included in all schemes.</p>

	<p>The detail of the elements which must be included in local council tax reductions schemes are included in The Council Tax Reduction Schemes (Prescribed Requirements Scheme) (England).</p> <p>Regulations 2012. Consultation has been undertaken at a formative stage of the proposals. <i>Members must have "due regard" to any equality issues and these are set out in the Equality Impact Assessment.</i></p>
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	Overview and Scrutiny Committee

## TRACKING/PROCESS

**DIRECTOR:**

**Steve Kenyon**

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
No	Yes		
Scrutiny Committee	Committee	Council	
No		30/11/16	

## 1.0 BACKGROUND

- 1.1 The report outlines the background, current scheme, context of overall Welfare Reform and recommendations for delivering a local scheme of Council Tax Support with effect from April 2017.

## 2.0 CHANGES TO THE SCHEME

- 2.1 The current local scheme was introduced in Bury from April 2013. Prior to this, a national scheme was in place: Council Tax Benefit. This was administered by local authorities but prescribed in extensive detail by the Department for Work and Pensions. Council Tax Benefit paid the full liability for Council Tax for the poorest claimants. Local authorities were, to all intents and purposes, fully funded by DWP for their Council Tax benefit expenditure: local authorities therefore did not carry the risk of changing caseloads or changes in the level of deprivation.
- 2.2 The abolition of Council Tax Benefit and introduction of local schemes included the provision that the grant payable to Councils was set at 90% of the estimated spend on Council Tax Benefit in 2012/13. This meant that Councils had to address a 10% cut in the funding they received. Furthermore, the level

of support was fixed for 7 years meaning that Councils will have to bear the risk of cost of increases and any increases in claimant numbers.

2.3 Before agreeing a scheme the Council had a duty to consult with major precepting authorities (Police and Fire) and such persons it considers to have an interest in the scheme.

2.4 The key issues the Council faced as a result of the introduction of local schemes were:

- The funding to be provided for the new provision was cut by 10%.
- The Government's changes did not allow Councils complete freedom in the design of their schemes and it was stipulated that the elderly were to be protected. This provision remains and meant that as around 45% of Bury's benefit caseload were classed as elderly the cuts for working age claimants had to be higher. In Bury, protecting pensioner claimants means the percentage cuts for working age claimants was estimated to fall within the range of 15%-20%.
- The risk of changing caseloads was transferred to local authorities i.e. funding had to be determined in advance, not based on actual spend.

### **3.0 LOCALISED COUNCIL TAX SUPPORT**

3.1 The scheme which was established in Bury in 2013, following consultation, reflected the Council's priority in considering the needs of vulnerable people and aimed to mitigate the detrimental impact it would have on residents who would face increased Council Tax due to restrictions on the amount of Council Tax Support they would be entitled to.

3.2 In order to help meet the reduction in Government funding it was necessary for the local scheme to incorporate the following specific changes from the previous Council Tax Benefit scheme:

- Second Adult Rebate withdrawn
- Awards capped at Council Tax Band B
- Awards not paid where the weekly amount was less than £1
- Back-dated benefit abolished
- Non-dependent deductions increased by 20%
- Upper capital limits reduced to £8,000

3.3 The following provisions were also incorporated into the scheme:

- Various groups were defined as 'vulnerable' and therefore protected:

people in receipt of disability benefits  
carers  
lone parents with children under 5  
war pensioners  
the bereaved (for a period of 12 months)

- A new nil non-dependent deduction category for the low paid was introduced. This was to avoid the situation where a single person in receipt of a low level of wages finds it cheaper to move out of the family home

because their non-dependent deductions are greater than their contributions to rent and Council Tax if they were to rent their own property. This particularly affected young people on apprenticeships.

- From April 2013, discretionary Housing Payments could no longer be used to support Council Tax and therefore a Discretionary Support Scheme to support vulnerable residents with extreme hardship and support the transition into work for low paid residents. This was funded via the discretionary Bury Support Fund established in April 2013. This will continue in place for 2017/18.

3.4 The remaining shortfall was covered by withdrawing the local Council Tax Over-65s discount and by implementing Council Tax charges for empty properties and second homes.

#### **4.0 COUNCIL TAX SUPPORT SCHEME 2016/2017**

4.1 The Council is required to review and amend its scheme annually.

4.2 In doing this it is necessary to consider a variety of factors:

- Performance of the scheme
- The level, and adequacy, of Government funding for 2016/17
- The Council's overall financial position
- Options for changing the scheme if required
- The outcome of previous consultation

4.3 The operation of the scheme appears to be meeting its objectives during the financial year 2016/17 although from a purely financial perspective this can vary and fluctuate throughout the year. However, take-up and Tax collection assumptions are being closely monitored and to date collection overall remains strong.

4.4 Government funding for Year 5, 2017/18, remains the same as for Year 1 and reflects a 10% cut in the level of support provided in the last financial year of the national scheme i.e. 2012/13. As funding is fixed consideration has therefore to be given to whether further cuts to the existing scheme need to be made, taking account of how the scheme has performed in relation to that projected. Current forecasts suggest that the scheme will be unsustainable going forward and that amendments to the scheme will have to be made with effect from 2017/18.

4.5 CTS spend is very closely monitored to check we are not exceeding our grant. The current projection for 2016/17 is that we will spend up to the full grant, and will need to adapt the scheme for 2017/18 to reflect future cost pressure.

#### **5.0 Proposals to amend the 2017/18 scheme**

##### **5.1 Reducing maximum amount of Council Tax Support by a percentage of 20% (top-slicing)**

9465 working age households affected.

## Case study 1

Single person, aged over 25, with no children, living on their own in a Band A property. Weekly income of £73.10 Employment Support Allowance. Currently paying no Council Tax.

Option	Weekly contribution	Monthly contribution
20% top slice of liability	£3.13	£13.56

## Case study 2

Couple, with 2 children, living in a Band B property. Weekly income of £362.40 made up of:

Wages	£136.00	Child Tax Credit	£117.00
Child benefit	£34.40	Working Tax Credit	£75.00

Current contribution to Council Tax is £6.98 per week, paid in instalments of £30.25 per month.

Option	Reduction in Council Tax Support	New weekly contribution	New monthly contribution
20% top slice of liability	£5.15	£12.13	£52.56

## 5.2 Two child restrictions

From April 2017 restrictions will be introduced on the amount of tax credits awarded to families who have a third or subsequent child after this date.

From November 2018 similar restrictions will be placed on Universal Credit claimants. It is proposed to incorporate this change to the CTS scheme from April 2017.

## 6.0 CONSULTATION

A period of consultation on the outlined options took place from the 5th October 2016 to 15th November 2016 and 23 responses were received. No amendment to the proposals has been made from the responses. Some responses were in favour of the proposals and supported further welfare reforms and cuts, others were concerned about the impact of the proposals in terms of vulnerability.

## 7.0 WELFARE REFORM CONTEXT AND AGENDA

7.1 The changes to Council Tax Benefit/Support form part of a wider series of changes that make up the Government`s welfare reform agenda and reform of local government finance. Bury Council have sought to alleviate the impact of Welfare Reform from this change and others by working with residents and partners where possible.

- 7.2 The Welfare Reform Board oversees all partnership initiatives in relation to Welfare Reform. The Board includes representatives from Bury Council, Six Town Housing, Citizens Advice Bureau, Department for Work and Pensions and various landlord organisations.
- 7.3 A corporate debt strategy is in place which aims to raise awareness of identifying customers in debt to all staff in Bury Council and Six Town Housing and where to signpost them for assistance.
- 7.4 A small Discretionary Council Tax fund is available for customers who may be experiencing significant hardship.

## **8.0 CONCLUSIONS AND RECOMMENDATIONS**

- 8.1 The Council has to review the operation and content of its Council Tax Support scheme on an annual basis.
- 8.2 Given the anticipated shortfall on the scheme for 2017/18, it is recommended that the proposals outlined in Section 5 to introduce a 20% topslice and the two child restrictions above are incorporated into the 2017/18 scheme.
- 8.3 The performance of the scheme continues to be closely monitored and will be reviewed and amended as appropriate on an annual basis.

**COUNCILLOR SANDRA WALMSLEY  
CABINET MEMBER FOR STRATEGIC HOUSING & SUPPORT SERVICES**

**COUNCILLOR JANE LEWIS  
DEPUTY LEADER & CABINET MEMBER FOR FINANCE & HR**

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### **List of Background Papers:-**

None

### **Contact Details:-**

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