

Report of:	Meeting	Date	Item No.
Cllr Alan Vincent, Resources Portfolio Holder and Philippa Davies, Corporate Director of Resources	Council	16 October 2014	9

LOCALISED COUNCIL TAX SUPPORT

1. Purpose of Report

- 1.1 To confirm the continuation of the current Localised Council Tax Support Scheme, originally implemented on 1 April 2013, for the 2015/16 financial year.

2. Outcomes

- 2.1 Improved incentives to work, ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency.
- 2.2 Compliance with the Welfare Reform Act 2012 and specifically its provisions for the abolition of Council Tax benefit and replacement with new localised schemes.

3. Recommendation

- 3.1 That the current Localised Council Tax Support Scheme be continued into the 2015/16 financial year with the additional maximum percentage contribution from working age claimants being no more than 8.5%.
- 3.2 That the original policy be confirmed, recognising that it includes a number of specified amounts used to calculate entitlement which may change in line with upratings published by the DWP, that there may also be minor adjustments to the scheme should further guidance be received from the DCLG and that the roll out of Universal Credit will ultimately replace existing benefits.

4. Background

- 4.1 As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished and in accordance with the Local Government Finance Act 2012 local authorities were required to introduce Localised Council Tax Support (LCTS) schemes from April 2013.

- 4.2** Support for Council Tax is now offered as reductions within the Council Tax system with claimants of state pension credit age receiving a discount of 100% thereby ensuring that they experience no reduction in support as a direct result of the reform.
- 4.3** Localisation provided local authorities the flexibility to design Council Tax Support schemes for working age claimants taking into account the needs of vulnerable groups and the importance of supporting work incentives. Following a consultation exercise, the Council agreed at their meeting of 29 November 2012 to adopt a scheme which qualified for transitional grant for one year ensuring that:
- Those who would be entitled to 100% support under current Council Tax benefit arrangements pay between zero and no more than 8.5% of their net Council Tax liability;
 - The taper does not increase above 25%;
 - There is no sharp reduction in support for those entering work. The taper should continue to operate as under current Council Tax benefit regulations – that is, to be applied to excess income and in relation to the claimant's maximum eligible Council Tax reduction. Where an authority has decided to adopt a scheme in which the maximum reduction is lower than 100% of the liability, this maximum eligible reduction will therefore be this level, lower than 100% of liability.

5. Key Issues and Proposals

- 5.1** Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 requires the authority to consider whether for each financial year the scheme is to be revised or replaced. The authority must make any revision to its scheme, or any replacement scheme, no later than the 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. Where this is the case then the procedural requirements in paragraph 3 of that schedule will apply, namely that the authority must:
- Consult any major precepting authority;
 - Publish a draft scheme; and
 - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 5.2** As at the end of September 2014, the number of working age claimants eligible for council tax support was 4,941 – 101 more than that estimated at 4,840 and the number of pensioners eligible for council tax support was 5402 - 450 lower than that estimated at 5,852.
- 5.3** The value of the benefit awarded as at the end of September 2014 is £8,395,456 compared to £8,521,572 last year, a reduction of £126,116, with the reduction being attributable to the ongoing review of LCTS cases.

- 5.4** The collection rate for 2013/14 was 98.05%, a reduction of 0.2% when compared to the 2012/13 rate of 98.25%. It should be noted, however, that on the introduction of LCTS, the assumed collection rate was reduced from 98.5% to 98%.
- 5.5** There has been a noticeable increase in recovery work with an 80% increase in the number of reminders issued in 2013/14 compared with the previous year and an 83% increase in the number of summonses issued for non-payment.
- 5.6** The County Council's Cabinet response to Wyre's proposed scheme in November 2012, and especially the adoption of a scheme limiting the contribution from working age claimants to be no more than 8.5%, was as follows:

'You are aware that the grant offered by the government will not cover the cost of the scheme as proposed by the Secretary of State. Our initial estimates are that if all the Districts across Lancashire accepted the grant, the additional cost to the County Council could be in the range of £2½m - £3m in 2013/14, potentially rising to over £5m in 2014/15 (depending on what assumptions are made regarding the number of claimants, and collection levels). Clearly, there would be a financial impact on your Council as well. The County Council is very concerned as to the potential impact that the further reductions required to fund this would have on services to the most vulnerable members of our communities across Lancashire, and does not support the implementation of a scheme which leaves such significant costs to fall on the County Council's revenue budget. The resolution of the County Council's Cabinet is set out below, and I ask that this be taken into account when your Council considers its council tax support scheme.' "The County Treasurer be requested to urge all District Councils to carefully consider their response to the Government's announcement of £100m one-off funding for those authorities who implement a council tax support scheme which ensures that claimants currently on 100% support would not pay more than 8.5% of their net council tax liability and the impact on both their own services and the services provided by the County Council to the most vulnerable people in Lancashire."

- 5.7** There was a similar response from the Fire Authority who went on to say that 'As such the Authority does not support amending the scheme to qualify for the one off grant unless the additional cost is offset by amendments to the level of council tax discounts and exemptions that are currently provided in both 2013/14 and 2014/15.'

- 5.8** It should be noted that Wyre did introduce amendments to the level of discounts and exemptions awarded with effect from 1 April 2013, with further amendments effective 1 April 2014. The estimated impact can be seen in the table below.

Preceptor	%	Additional Income 2013/14 £	Additional Income 2014/15 £	Total Additional Income £
Wyre	11.8	71,443	28,494	99,937
Parish	0.9	5,954	1,900	7,854
Fire	4.2	23,815	10,210	34,025
Police	10.3	59,536	24,220	83,756
LCC	72.8	434,615	172,628	607,243
Total	100.0	595,363	237,452	832,815

- 5.9** An equality impact assessment was completed prior to the original Localised Council Tax Support Scheme being implemented in April 2013.
- 5.10** As the current scheme has now been in operation for approximately 18 months and collection rates are in accordance with the estimate it is proposed that the existing scheme be continued.

FINANCIAL AND LEGAL IMPLICATIONS	
Finance	<p>The Council was previously reimbursed by the DWP for expenditure in relation to correctly awarded CTB but as part of the welfare reforms, expenditure on Localised Council Tax Support was reduced by 10%. The Local Government Finance Settlement included £8,077,777 for Council Tax Support in 2013/14 and of this, £963,119 was retained by Wyre.</p> <p>The Government claim that the total level of localised council tax support funding has remained unchanged in cash terms in 2014/15 although there is no separately identifiable amount for localised council tax support at local authority level since it was subsumed within the Revenue Support Grant and Baseline Funding. It is also worth remembering that the Council suffered a reduction in grant funding of £1.022m or 13.6% in 2014/15.</p> <p>Inflating the 2013/14 actual expenditure on LCTS of £8,533,000 by 1.8%, Wyre's average council tax increase in 2014/15, indicates that the estimated cost of the scheme for 2014/15 would be approximately £8,687,000. Applying the indicative start-up funding allocation of £8,077,777 leaves an unfunded gap of approximately £609,223 to be met by each precepting body as follows:</p>

		%	£
	Wyre	11.8	71,888
	Parish/Town Councils*	0.9	5,483
	Combined Fire Authority	4.2	25,588
	Lancashire Police Authority	10.3	62,750
	LCC	72.8	443,514
			609,223
	*This is an average cost and will not necessarily be incurred by individual Parish/Town Councils		
Legal	The Council must be able to demonstrate that it has complied with the statutory guidance surrounding the implementation of any revised or replacement scheme. A recent judgement against Sandwell MBC has found that the practice of withholding council tax support from newcomers to the area is unlawful.		

OTHER RISKS/IMPLICATIONS: CHECKLIST

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

Implications	✓ / x
Community Safety	x
Equality and Diversity	✓
Sustainability	x
Health and Safety	x

Risks/Implications	✓ / x
Asset Management	x
Climate Change	x
Data Protection	x

Report Author	Telephone No.	Email	Date
Philippa Davies	887370	Philippa.Davies@wyre.gov.uk	5 September 2014

List of Background Papers:		
Name of Document	Date	Where available for inspection

LIST OF APPENDICES