

CABINET

3 DECEMBER 2014

THE OVERVIEW & SCRUTINY COMMITTEE

8 DECEMBER 2014

REVIEW OF LOCAL COUNCIL TAX REDUCTION SCHEME

REPORT OF DEPUTY HEAD OF REVENUES

Contact Officer: Jane Petty Tel No: 01962 848460

RECENT REFERENCES

CAB2509: Review of Council Tax Reduction Scheme, 23 September 2013

EXECUTIVE SUMMARY:

Council Tax Benefit (CTB) was replaced with a local Council Tax Reduction (CTR) Scheme from 2013/14. This CTR Scheme was reviewed for 2014/15 and the Council must now consider the options for 2015/16.

The national welfare reform programme is on-going with significant changes being implemented currently and further reform planned. The programme for Universal Credit (UC), which will have an impact on working age customers, is currently scheduled to begin roll out nationally from February 2015 with completion by the end of 2017.

This report contains an appraisal of the current position and recommendations for the Scheme in 2015/16.

Benefits customers are experiencing a time of significant change. The current CTR Scheme works well and provides full benefit for those on the lowest incomes and in greatest financial need. Given the current and future scale of welfare reform it is recommended that the current CTR Scheme, with a further increase in disregarded earned income, continues to be adopted for 2015/16.

The estimated expenditure for the 2015/16 recommended Scheme can be met within current budget estimates and therefore does not create an additional budget pressure.

The Council must adopt the Scheme for 2015/16 prior to 31 January 2015. It is necessary to present the updated detailed local CTR Scheme for 2015/16 direct to Council on 7 January 2015 as the increases in components used in the CTR calculation will not be available from Department for Work and Pensions (DWP) and Communities and Local Government (DCLG) until December 2014.

RECOMMENDATIONS:

- a) That a report be submitted direct to Council on 7 January 2015 containing the updated detailed local Council Tax Reduction Scheme for 2015/16 for approval.

That Cabinet recommends to Council

1. That Council adopts the local Council Tax Reduction Scheme proposed in this report as follows:
 - a) Base the local Council Tax Reduction Scheme for 2015/16 on the scheme adopted for 2014/15 with amendments to reflect wider legislative change to Council Tax Reduction and other related legislation;
 - b) Increase components in the CTR calculation in line with the increases DWP & DCLG provide for in the Housing Benefit Regulations 2006 (as amended) and the Council Tax Reduction Scheme (Prescribed Requirements) Regulations 2012 (as amended) for 2015/16;
 - c) Increase income disregards for working age claimants further so that single claimants have the first £30.00 of earned income disregarded and others have the first £60.00 of earned income disregarded
2. That for the purposes of the 100% Council Tax discount which is awarded when properties are unoccupied and substantially unfurnished for a period of up to one month, any one period, not exceeding six weeks, during which it was not vacant shall be disregarded in considering whether a dwelling has been vacant for a period.

TO THE OVERVIEW AND SCRUTINY COMMITTEE:

That The Overview and Scrutiny Committee raises with the Portfolio Holder any issues arising from the proposals outlined in this report and considers whether any items of significance be drawn to the attention of Council.

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DETAIL:

1. Background

- 1.1. Support for Council Tax was localised from 2013/14. This meant that the Council had to design its own CTR Scheme for Winchester residents to replace the national CTB Scheme.
- 1.2. After a comprehensive consultation exercise the Council introduced a local CTR Scheme for 2013/14 which did not change the underlying basis on which the amount of financial support the Council provided was calculated. The Council was keen to ensure that it supported working age customers, who were in work, and therefore enhanced the Scheme by increasing the amount of earned income that is disregarded in the benefit calculation.
- 1.3. The Council reviewed the Scheme for 2014/15 and the decision was made to maintain the underlying basis of the Scheme with an increase in the components of the calculation to allow for rises in the cost of living and a further increase in the income disregards for working age claimants in work.
- 1.4. The Council must now review the position for 2015/16.

2. Consultation

- 2.1. The consultation period was open for a 6 week period from 8 September 2014 to 19 October 2014. Options were published on the Council's website and a press release was issued on 1 October 2014. Hampshire County Council was also consulted.
- 2.2. The following options were included in the consultation -
 - To provide the same level of assistance as the previously agreed Council Tax Reduction Scheme (with some increases in the components of the calculation to allow for rises in the cost of living*), **and**;
 - To keep the amount of income that working age customers can earn before it affects their Council Tax Reduction at the levels agreed for 2014/15, or

- To further increase the amount of income that working age customers can earn before it affects their level of Council Tax Reduction from £20 per week to £30 per week for single claimants and from £50 per week to £60 per week for all other claimants

(*these increases will be in line with the Government's annual increases to other welfare benefits)

- 2.3. Hampshire County Council responded on behalf of the major precepting authorities. The response about the options being considered was positive and no concerns were raised.
- 2.4. There were two replies from members of the public. One of the replies was in support of the increase in earnings disregards but the points raised in the second reply did not have any relevance to the options being considered. There was also a reply from a parish council who supported the options being considered.
3. Review of current arrangements and recommended approach for 2015/16
 - 3.1. Benefits customers are experiencing a time of significant change. Many are, or will be, undergoing assessment to identify entitlement to new types of national benefit which will change the benefit that they receive and the way in which financial support is paid.
 - 3.2. The annual increase to allow for rises in the cost of living for many social security benefits was restricted to 1% for working age customers for the current year and there are proposals to freeze benefits at these levels for working age customers for the following two years. Many CTR customers are receiving less Housing Benefit following the removal of the spare bedroom subsidy for social housing tenants. The Benefit Cap has been introduced and although the number affected within the district is low the impact on individuals is significant.
 - 3.3. The new CTR Scheme works well and provides full benefit for those on the lowest incomes and in greatest financial need. The CTR Scheme will need to be reviewed when UC is fully implemented for Winchester residents. At that point housing costs for working age customers will be transferred to the DWP. However, it is expected that local authorities will retain responsibility for Housing Benefit for pensioners and supported accommodation for working age customers. Local authorities will also have to manage the statutory CTR scheme for pensioners which mirrors the previous CTB scheme. The programme for UC, which will have an impact on working age customers, is currently scheduled to start rolling out nationally from February 2015 and to be completed by the end of 2017.
 - 3.4. The overall level of expenditure on CTR has reduced slightly over recent years. This is a reflection of maintained Council Tax levels and a reduction in caseload. This position is not expected to change significantly.

- 3.5. The current CTR caseload is slowly decreasing. In September 2013 it was 5,749 customers. In September 2014 it had decreased to 5,579. This can be broken down as follows -

Claim type	Sep 2013	Sep 2014
Pensioner	2,997	2,856
Working age household with a child under 5 years of age	479	495
Working age household where someone has a disability	863	1132
Working age household in employment	543	549
Working age (none of the above)	867	547
Total	5,749	5,579

(Working age customers, in work, are included in all of the working age groups above)

The table below shows the numbers of working age claimants both in and out of work –

Working age caseload	In work	Out of work	Total
July 2014	1,276 (46.7%)	1,459	2,735
August 2014	1,300 (47.8%)	1,421	2,721
September 2014	1,280 (47.0%)	1,443	2,723

- 3.6. Given the current and future scale of welfare reform it is recommended that the CTR Scheme for 2015/16 is based on the current Scheme. It is also recommended that there is a further increase in the weekly earned income disregards (to £30.00 for single claimants and £60.00 for other claimants). It is hoped that the further increase in earned income disregards will encourage more customers to take up work or to work extra hours.
- 3.7. Although the 2015/16 Scheme will be based on the current Scheme some amendments will be made to reflect wider legislative changes to Council Tax Reduction and related legislation. These changes do not affect the basic principles of the Scheme and will ensure that the CTR Scheme for working age customers continues to be aligned to the CTR scheme for pensioners and the Housing Benefit scheme.
- 3.8. It is necessary to present the updated detailed local CTR Scheme for 2015/16 direct to Council on 7 January 2015 as the increases in components used in the CTR calculation will not be available from DWP & DCLG until late December 2014.

4. Update to Council Tax empty property discount definition
- 4.1. At its meeting on 9 January 2013 Council resolved to make changes to certain Council Tax discounts and exemptions relating to empty properties and second homes. The changes were made to meet the 10% cut in Government funding when CTR was introduced. One of the changes was to introduce a discount of 100%, for a period of up to one month, following the abolition of exemption class C which related to vacant properties (properties where no one lives which are substantially unfurnished) and could be awarded for up to six months.
- 4.2. Under the previous class C exemption regulations specified that 'in considering whether a dwelling has been vacant for a period, any one period, not exceeding six weeks, during which it was not vacant shall be disregarded'. It was, and remains, the intention that the six week rule should apply to the 100% discount that replaced the exemption. It is recommended that this intention is formally introduced to clarify the position.

OTHER CONSIDERATIONS:

5. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):
- 5.1. An *Active Community* is one of the key outcomes of the Community Strategy. One of the key areas of action within that outcome is to *provide housing to meet community needs*. The proposals in this report support that action.
6. RESOURCE IMPLICATIONS
- 6.1. Under the previous CTB scheme, the Council was reimbursed in full, for the amount of CTB paid out correctly, with the exception of the discretionary War Pensions Scheme. In times of economic difficulty as the amount of benefit the Council paid out increased it was reimbursed by the Government.
- 6.2. Under the current scheme funding for CTR is included in the local government finance settlement. A specific amount was identified in year one of the Scheme, which included a 10% cut in funding, but since then the funding has been rolled into the settlement and is not identified separately. This funding reduces the Council Tax requirement and off-sets the reduction in the Council Tax Base. Any expenditure above the funding has to be met by the Council and major precepting authorities via the Collection Fund. The Council's share of any surplus or deficit is approximately 13.36%.

6.3. The total expenditure on CTR over recent years is as follows -

	CTR Expenditure
	£M
Outturn 2013/14	£5.060
Original Estimate 2014/15	£5.073
Current Forecast 2014/15	£4.976
Original Estimate 2015/16	£5.077

6.4. Each year DWP and DCLG set the uplift value for the Housing Benefit Scheme and the CTR Pensioner Scheme. The Council could determine not to implement an uplift or could devise its own methodology to calculate the value of the uplift. However, it is recommended that the components of the CTR Scheme are uplifted in line with the national HB & CTR Pensioner scheme. This approach will ensure that the uplift in the Council's CTR Scheme for working age customers remains in line with the HB & CTR Scheme for pensioners and other national benefits.

6.5. The forecast expenditure for the current year is less than the original budget estimate. As the estimated expenditure for 2015/16 is based on the forecast for 2014/15, with an adjustment for the further increase in earnings disregards and the cost of living uplift, and it falls within current budget estimates it does not create an additional budget pressure.

7. RISK MANAGEMENT ISSUES

7.1. Due to the new funding arrangements the Council carries the risk that the cost of any CTR Scheme which exceeds budget estimates will need to be borne, in part by the Council, via the Collection Fund.

7.2. The estimates provided for the year are projections based on the current year's expenditure. The position may change due to an increase in benefit take up or an increase in Council Tax levels but this is not anticipated in the medium term.

BACKGROUND DOCUMENTS:

None

APPENDICES:

None