

TITLE	Council Tax Reduction Scheme
FOR CONSIDERATION BY	Special Council Executive Committee on 29 January 2015.
WARD	None specific
DIRECTOR	Graham Ebers, Director Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

The adoption of a Localised Council Tax Reduction (CTR) scheme will ensure that all working age borough residents who may experience financial difficulties in paying their council tax liabilities have access to a scheme of assistance, designed locally, offering financial help to them

RECOMMENDATION

That the Council approve the following:

- 1) that a local CTR scheme for 2015 /16 is adopted on the same basis as the 2014/15 adopted scheme without change to the general entitlement criteria;
- 2) that all applicable amounts, premiums, allowances, disregards and deductions used in the calculation of entitlements are uprated in line with the same increases applied to the Government set Prescribed and Default CTR schemes, along with any other minor changes;
- 3) that the full disregard currently allowed for War Widows and War Disability Pensions is continued from 1 April 2015 in respect of the Prescribed and Local council tax reduction and housing benefit schemes;
- 4) that funds be made available to the hardship fund, known as Section 13A, for those who cannot pay their council tax liabilities. This sum will be funded from the additional tax liabilities collected from the changes to empty property charges that are now levied;

SUMMARY OF REPORT

As part of the 2010 Spending Review, the Government announced plans to localise council tax benefit. From 1 April 2013, local authorities have had the responsibility for designing and administering their own local schemes, known as 'council tax reduction' (CTR). These local schemes apply to all working age claimants. Pensioners are protected from this change with their entitlement to CTR worked out in accordance with a Prescribed CTR scheme set by Government. There is also a requirement to operate a "Hardship Scheme", known as Section 13A, for those who cannot pay their tax liabilities.

Funding for the new scheme now takes the form of an annual grant included within the main Government grant to the Council, instead of the variable subsidy that generally

used to cover 100% of expenditure under the former national council tax benefit schemes. This funding reduced Government support nationally by an average of 10%, increasing over coming years. For Wokingham, this meant an effective funding reduction of 11% equating to approximately £600,000 on its introduction

An initial scheme was designed in response to these changes which was broadly cost neutral for the Council and all precepting partners, whilst protecting vulnerable groups and minimising the overall impact on borough residents. Detailed proposals were developed which looked to cover around 20% of the potential loss of grant by making changes to existing council tax benefit scheme rules and around 80% of the loss by making technical changes to council tax discounts for empty properties as allowed under new localisation powers.

The 14/15 scheme was submitted to a Special Council Executive Committee meeting held on 30th January 2014 and approved. It is now necessary to consider details of our 2015/16 local CTR scheme. The remainder of this report details the recommendations made and the reasons for these. The 2015/16 CTR Scheme proposed is on the same basis as the 2013/14 and 14/15 adopted schemes.

Background

The 2010 Spending Review signalled the Government's intention to localise Council Tax Support and stated that the expenditure budget would be reduced by 10% (11% for Wokingham) and would change from a subsidy based on actual expenditure to a grant. The Welfare Reform Act 2012 contained provisions for the abolition of Council Tax Benefit and the Local Government Finance Act 2012 made further provision for the localisation of council tax support, known as 'council tax reductions' (CTR), in England by imposing a duty on all billing authorities to introduce a localised CTR Scheme by 31st January each year. If a localised scheme is not agreed by then, the Council will be obliged to use the Government's own default national scheme in the following financial year.

The Government no longer provides 100% funding for council tax support but includes an amount of grant within the main Government grant to the Council. In Wokingham the estimated funding gap for 2014/15 arising from this change was approximately £600,000. Failure to adopt a local scheme by the due date each year would mean having to operate the Default Scheme. On that basis, use of the Default Scheme would not provide for any possible savings in CTR expenditure meaning the Council would have to bear the full brunt of the reduced funding imposed by DCLG.

The Government have determined that certain groups may be fully protected from this change. Alongside a potential Default Scheme, Government have therefore set out a Prescribed Scheme to be used for those claimants that Government decide shall be protected. At the current time, this protection applies to claims received from pensioners. All other claims received are calculated in accordance with the adopted local CTR scheme.

Analysis of Issues

A range of proposals to achieve the required savings were created and a full consultation exercise undertaken in late summer of 2012 on them. As a result a local scheme was approved by Special Council Executive in January 2013 which was based upon the terms and conditions of the Government Default Scheme with the following specific changes to meet the financial reduction required

- 1) That the provision for awarding back-dated awards prior to the claim date was removed;
- 2) That the provision for allowing extended payments for a claimant moving from out of work benefits to work was removed;
- 3) That the provisions for awarding 2nd Adult Rebate was removed;
- 4) That the provisions for allowing increased disregards of the income received from Boarders was removed;
- 5) That the minimum level of support available was set at £3.00 per week;
- 6) That the rate at which benefit is withdrawn as income exceeds assessed need was set at 25%;
- 7) That the level of earnings that is disregarded be increased and set at £10 for a single person and £20 for a couple.

At the same time, under new powers granted by Government, the Council took the opportunity to review and alter various discount rates allowable for empty properties.

These changes were:

- 1) That the 10% discount awarded for 2nd homes was abolished;
- 2) That the discount awarded for empty and unfurnished property was restricted to 100% for 1 month followed by 50% for a further month;
- 3) That a 50% premium was added to council tax charged for properties that remain empty and unfurnished for 2 years or more;
- 4) That the discount awarded for empty property undergoing renovation or structural repairs was restricted to 50% for a 12 month period.

In January 2014 a recommendation was made to approve a scheme based on the 2013/14 scheme with these additional changes listed below, along with amendments to the prescribed scheme

- 1) That the discount awarded for empty and unfurnished property was restricted to 100% for 28 days only;

In combination these changes were estimated to produce combined savings or additional tax income of approximately £600,000

CTR changes

After considering the response to the consultation and issues and impacts of the scheme weighed against the cost to make changes such as system upgrades it is proposed that for 15/16 the scheme should remain the same as that agreed for 14/15. A further review will be carried out at the end of the 14/15 financial year. There have not been any issues raised to date that would indicate that the 2013/14 or 14/15 scheme is in need of urgent revision. The annual uprating of the individual means tested benefits would still apply.

Hardship Fund

The Council remains aware that a complex relief scheme such as localised council tax reduction may exclude some claimants who, in the short term at least, are unable to improve their financial circumstances. This may present them with difficulties in paying council tax liabilities. In this respect, Government changes for council tax support include the provision for further discretionary reductions to be made under Section 13A(l)(c) of the Local Government Finance Act 1992 as substituted by the Local Government Finance Bill 2012.

A formal scheme was developed and approved in line with previous decisions taken. There has been a further refinement to this in 14/15 in relation to a legal case stating that we are unable to cash limit the budget. This scheme is published on the Council's website and its existence is drawn to the attention of council tax payers in need. Expenditure for the year 14/15 is likely to be in the region of £3500 with each claim approved so far has received an average award of around £500. A sum of £25,000 has been provided for 15/16, but claims may exceed this.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See other financial information below	Yes	Revenue
Next Financial Year (Year 2)	Nil	Yes	Revenue
Following Financial Year (Year 3)	Nil	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Although £25,000 has been set aside for the hardship fund we are unable to cash limit this fund if claims exceed the amount allocated.

Cross-Council Implications

None identified as no recommendations to change made, other than those in the prescribed scheme.

List of Background Papers

Various DCLG and DWP documents;
CTR and associated Council Tax Legislation;

Contact Nicky Thomas	Service Finances & Resources
Telephone No 0118 974 6590	Email nicky.thomas@wokingham.gov.uk
Date 16 January 2015	Version No. 1