



To: Executive Councillor for Customer Services and Resources: Councillor Julie Smith

Report by: Alison Cole - Head of Revenues and Benefits Services

Relevant scrutiny committee: Strategy & Resources 20/01/2014  
Scrutiny Committee

Wards affected: All Wards

## **COUNCIL TAX REDUCTION SCHEME 2014-15 Key Decision**

### **1. Executive summary**

- 1.1 On 1 April 2013, Central Government abolished Council Tax Benefit and required local Councils to introduce a local Council Tax Support system in the form of a Council Tax Reduction scheme.
- 1.2 The Government prescribed a Council Tax Reduction scheme for pensioners and there is no local discretion to reduce support for pensioners. Therefore the Council was required to design a scheme only for people of working age.
- 1.3 The Government reduced the grant for Council Tax Support by 10% of the sum paid for Council Tax Benefit, which meant the Council had a predicted £750,000 loss of funding for the new Council Tax Reduction scheme.
- 1.4 Changes in legislation for awarding discounts and exemptions have allowed the shortfall to be funded.
- 1.5 In compliance with the Local Government Finance Act 2012, hereinafter called the Finance Act 2012, on 1 April 2013 the Council introduced its own local Council Tax Reduction scheme as approved at a special meeting of Council on 9 January 2013 where it was agreed that Cambridge City Council preserve the equivalent levels of benefit for those currently entitled to it.
- 1.6 For each financial year, the Council is required under the Finance Act 2012 to consider whether to revise its scheme or to replace it with another scheme.

- 1.7 This report provides the Strategy and Resources Scrutiny Committee with details of the review of the Council's 2013-14 scheme and proposals for the continuation of the agreed current scheme rules for the financial year 2014-15.

## **2. Recommendations**

The Executive Councillor is recommended to:

- 2.1 Agree to continue to administer the Cambridge City Council - Council Tax Reduction scheme (Persons who are not Pensioners) 2013 as approved by Council on 9 January 2013 and not to revise or replace it. For 2014/15
- 2.2 Agree to link allowances and premiums used in the calculation of Council Tax Reduction scheme with the same allowances and premiums used in Housing Benefit to make it easier to understand and to administer. These applicable amounts and premiums represent the needs of the individual and their family.
- 2.3 Agree to invoke under paragraph 48(10) of the scheme to prescribe the amounts of non-dependant deductions annually and to increase the amounts set in sub-paragraphs (1) and (2) by 2.9% in line with the published Consumer Price Index (CPI) for June 2013.
- 2.4 Agree to retain the percentage reduction of an award (End of Calculation Deduction, see 3.3 below) as set out in paragraph 49A of the Scheme as "zero" per cent.
- 2.5 Agree to continue with the current position regarding discounts for empty dwellings and second homes as agreed at Council on 9<sup>th</sup> January 2013.

## **3. Background**

- 3.1 The Cambridge City Council - Council Tax Reduction Scheme (Persons who are not Pensioners) 2013 was approved by Council on 9 January 2013.
- 3.2 The Council was and continues to be committed to minimising the effects of reduced Government funding on the City's households.
- 3.3 It is expected that revenue from changes in Council Tax discounts and exemptions for 2014/15 will sufficiently cover the shortfall in overall funding and a further percentage reduction in entitlement for some customers will not be made. This deduction is reviewed annually as part of the Council Tax Reduction scheme and can be set from zero to a 20% maximum. At present there are approximately 1100 claims that could be affected by an increase in this deduction.

- 3.4 The percentage reduction for 2013 -14 was set to 0%.
- 3.5 There is no local discretion in respect of the provisions for pensioners, which are set out in statute in the Prescribed Regulations; it was therefore decided that the application of the Scheme would be separated into two schemes –
  - 3.5.1 The Cambridge City Council - Council Tax Reduction Scheme (Persons who are not Pensioners) 2013, and
  - 3.5.2 The Cambridge City Council - Council Tax Reduction Scheme (Pensioners) 2013
- 3.6 By implementing other Council Tax reforms, the Council was able to recover the loss in Government grants by removing all discounts on second homes and reducing the discounts given to certain empty dwellings from six months to one month and applying the long-term empty homes premium.
- 3.7 In Cambridge City Council, there are currently 7070 recipients of a Council Tax Reduction compared to 6970 recipients of Council Tax Benefit in 2012-13 and 7112 in 2011-12.
- 3.8 Whilst the number of recipients of a Council Tax Reduction may have increased slightly the trend is towards more people going into work so it is predicted that the average amount of reduction granted to each working age applicant will decrease.

#### **4 Legalities**

- 4.1 For each financial year, the Council is required under the Finance Act 2012 to consider whether to revise its scheme or to replace it with another Scheme.
- 4.2 The Council must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 4.3 Where the proposal is to revise the scheme, the proposals must be subject to consultation, firstly with the precepting authorities and then subject to public consultation prior to approval of any revisions to the scheme, which must be taken by full Council.

#### **5 Benefits of maintaining the current Scheme**

##### Vulnerable Groups

- 5.1 The current scheme meets the Council's commitment to protect as many people as possible from any decrease in the level of Council Tax Reduction support.

- 5.2 This commitment means that the people of Cambridge who are in need of support with Council Tax payments do not have to find extra money towards their Council Tax at a time of other reductions in welfare benefits.
- 5.3 The scheme meets the council's responsibilities to protect vulnerable groups including responsibilities under the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Housing Act 1996 as well as the public sector equality duty in section 149 of the Equality Act 2010.

#### Work incentives

- 5.4 The scheme meets the basic requirements of encouraging and incentivising work and complements work incentives within the Universal Credit scheme by extending maximum Council Tax Reduction for a period of four weeks when a person on certain qualifying income-related and contributory benefits goes into work.

#### Parity with Housing Benefit

- 5.5 The administration of Housing Benefit for people of working age will remain with local authorities until at least 2017, perhaps longer, albeit a diminishing service through gradual transfer to the Universal Credit.
- 5.6 Housing Benefit for certain people in exempt and supported accommodation is to stay with local authorities and will not be transferred to the Universal Credit, whilst the transfer of Housing Benefit for pensioners to the Pension Service is to be delayed until 2017/18 at the earliest.
- 5.7 The current scheme has a high degree of parity with the Housing Benefit scheme, which means that administration costs are kept to a minimum and there is no need for new bespoke software systems.
- 5.8 Staff expertise and knowledge has been carried forward from the Council Tax Benefit scheme, which keeps training requirements to a minimum and the public are not confused between the two schemes running side by side and has resulted in fewer queries than for other authorities.
- 5.9 Preparation of appeals, in relation to the treatment of income and capital, is made simpler because although they are heard by two different Appeals Tribunals, the rules are the same or very similar.

#### Impact on Council Departments

- 5.10 By continuing to not impose an end of calculation deduction of more than 0%, the impact of the changes on the customer and those services that support them has been negligible.
- 5.11 Should the decision be taken to increase the end of calculation deduction from 0% to a higher value then the subsequent increase in numbers and the costs associated with recovery action, court action and bailiff activity will inevitably have considerable impact upon the

customer facing departments at a time of increased demand due to the welfare reform; not least because of the increase in claims for a Discretionary Housing Payment.

## **6 Financial Implications**

- 6.1 The transfer of Council Tax support from Central Government to Local Government in April 2013 left the Council with a 10% reduction in funding.
- 6.2 The Council decided to utilise other Council Tax reforms that allowed billing authorities such as Cambridge to increase revenue on certain empty dwellings and second homes.
- 6.3 Recent modelling suggests that by 31<sup>st</sup> March 2014 additional revenue generated as a result of these reforms will be approximately £1,073,405.
- 6.4 Although financial modelling has not highlighted any significant collection issues, a prudent approach has been taken and an estimated in-year collection rate of 90% has been applied to the overall additional revenue. This has resulted in additional collectable revenue of £966,064 being anticipated by 31<sup>st</sup> March 2014, which will be more than sufficient to cover the overall loss of funding estimated at £750,000 (see s1.3).

### Total value of Council Tax Reduction Support

- 6.5 The total value of Council Tax Reduction (CTR) support awarded in 2013-14 is estimated to be £6,429,833 subject to changes in entitlements during the remainder of the year.
- 6.6 It is estimated that spend for current year 2013/14 will be £6,429,833, and assuming estimated increases in applicable amounts and incomes but no increase in caseload, projected spend for 2014/15 is £6,540,153.
- 6.7 These estimates are based on assumed increases in incomes and allowances and non-dependant deductions. It is also predicted that the number of people receiving a reduction will remain static or even fall slightly, whilst at the same time the value of individual entitlements will decrease due to more people moving into work.

### Risks

- 6.8 The Government has concluded in its own impact assessment that key risks surround the future need for Council Tax support. If demographic changes or economic circumstances mean that eligibility for Council Tax support increases significantly then the consequence of switching from a national to a local system will be that authorities bear more of the risk of a shortfall in funds.

6.9 There is not enough data currently available to report the social and economic changes so far in 2013-14 to be able to predict the implications for 2014-15. However, it is not anticipated that the situation in Cambridge will be significantly different in the coming year.

#### Future Funding Arrangements

6.10 The Government are currently consulting on the Local Government Finance Settlement for 2014-15 and 2015-16.

6.11 The Settlement Funding Assessment will be the total sum of the local share of the Estimated Business Rates Aggregate and the Revenue Support Grant. In future years, any amounts included for the provision of Council Tax Support schemes will not be stated as a separate sum and the Authority will have to decide what level of support should be given in the future.

### **7 Transitional Arrangements**

7.1 None, no changes to the current scheme are proposed.

### **8 Staffing Implications**

8.1 None.

### **9 Equal Opportunities Implications**

9.1 As no changes to the current scheme are proposed the existing Equalities Impact Assessment has not been amended.

### **10 Environmental Implications**

10.1 Nil.

### **11 Community Safety**

11.1 None.

### **12 Consultation**

12.1 Not required, no changes to scheme proposed, but there has been engagement with precepting authorities to advise of potential impact.

### **13 Background Papers**

Cambridge City Council - Council Tax Reduction Scheme 2013 (Persons who are not Pensioners).

## **14 Appendices**

None

## **15 Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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