



To: Executive Councillor for Finance and Resources:
Councillor George Owers

Report by: Alison Cole - Head of Revenues and Benefits

Relevant scrutiny committee: Strategy & Resources
19/01/2015
Scrutiny Committee

Wards affected: All Wards

COUNCIL TAX REDUCTION REVIEW 2015-16

Key Decision

1. Executive summary

- 1.1 Following the abolition of Council Tax Benefit on 1st April 2013 by Central Government, Cambridge City Council along with all other English local Councils was required to put in place a local Council Tax Support framework in the form of a Council Tax Reduction scheme by no later than 31st January in each year.
- 1.2 The Government prescribes a Council Tax Reduction Scheme for pensioners; therefore the Council was required only to design a scheme for people of working age.
- 1.3 In 2013-14, 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 allowed that shortfall to be funded.
- 1.5 In relation to the 2015-16 Scheme and thereafter, the Scheme will be funded from the Council's Revenue Budget (General Fund).
- 1.6 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 meeting of Council on 9 January 2013 where it was agreed that Cambridge City Council preserve the equivalent levels of benefit for those entitled to it.
- 1.7 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.

- 1.8 Councils also have the discretion to reduce the amount of Council Tax payable by granting locally defined discounts under provisions contained in Section 13A of the Finance Act 1992, hereinafter referred to as 'discretionary reduction'.
- 1.9 Section 13A(1)(c) allows for a discretionary reduction which can be used in relation to any individual case or by determining a class of case for which the charge should be reduced. The discount must be funded from the Council's Revenue Budget (General Fund) and can amount to 100% of the Council Tax charge.
- 1.10 The Council has previously used the discretion allowed under this Section to grant discounts for those Council Tax payers that are subject to the Council's mooring charge.
- 1.11 The expectation is that Councils, who did not maintain the level of support that was provided by the Council Tax Benefit Scheme, may receive a significant increase in discretionary reduction applications.
- 1.12 To comply with recent caselaw and to enable the Council to administer and determine these potential applications, the Council needs to publish a Discretionary Reduction Scheme under which individual applications can be determined.
- 1.13 This report provides the Strategy and Resources Scrutiny Committee with details of the review of the Council's 2014-15 Scheme and proposals for the continuation of the current scheme rules for the financial year 2015-16 and details of the Discretionary Council Tax Reduction Scheme.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Agree to continue to administer the Cambridge City Council - Council Tax Reduction Scheme 2013 (Persons who are not Pensioners);
- 2.2 Understand the change in the way that Council Tax Reduction Schemes will be funded by Government from 2015-16 onwards as detailed in section 4 below;
- 2.3 Agree to invoke the Council's right under paragraph 42(2) of the Scheme to set the applicable amounts in Schedule 1 in accordance with the annual uprating of applicable amounts, which will shortly be laid by Parliament as an amending statutory instrument to the Regulations;
- 2.4 Agree under paragraph 48(10) of the scheme to set the amounts of non-dependant deductions annually and to increase the amounts set in sub-paragraphs (1) and (2) by 1.2% in line with the published

- Consumer Prices Inflation (CPI) for September 2014 or to set them at the rate under the Prescribed Regulations, whichever is the higher;
- 2.5 Agree to retain the End of Calculation Deduction as set out in paragraph 49A of the Scheme at “zero” per cent;
 - 2.6 Agree to continue with the current position regarding discounts for empty dwellings and second homes;
 - 2.7 Approve the attached Cambridge City Council Discretionary Council Tax Reduction Scheme, incorporating powers to grant a reduction or further reduction under section 13A(1)(c) of the Finance Act 1992;
 - 2.8 Delegate authority to the Head of Revenues and Benefits to determine such applications for Council Tax Discretionary Reduction where they relate to individual cases of exceptional financial hardship.

3. Background

Council Tax Reduction

- 3.1 The Cambridge City Council - Council Tax Reduction Scheme (Persons who are not Pensioners) 2013 was reviewed and agreed by this committee on 20 January 2014.
- 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 will continue to financially support overall funding, that is now incorporated within the Revenue Support Grant. As such, a further percentage End of Calculation Deduction in entitlement for some customers will not be made. This End of Calculation Deduction is reviewed annually as part of the Council Tax Reduction Scheme and can be set from zero to a 20% maximum.
- 3.4 There is no local discretion in respect of the provisions for pensioners, which are set out in statute in the Prescribed Regulations.
- 3.5 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.
- 3.6 In Cambridge City Council, there are currently 6838 recipients of a Council Tax Reduction compared to 6970 recipients of Council Tax Benefit in 2012-13 and 7112 in 2011-12.

Discretionary Council Tax Reduction

- 3.7 The Council has a power to reduce “as it thinks fit” the amount of council tax payable, beyond those reductions prescribed in legislation since 2003 when the Finance Act 2003 inserted s.13A into the Finance Act 1992.
- 3.8 Until recently, section 13A was little used, since Council Tax payers in financial difficulties could apply for Council Tax Benefit, which often reduced liability to zero.
- 3.9 Council Tax Benefit was replaced by Council Tax Reduction under the Finance Act 2012, which requires every billing authority to have its own Council Tax Reduction Scheme for people of working age. Most such Schemes provide for reductions for those in financial need, but many have a maximum level Reduction that is less than 100% of the council tax liability.
- 3.10 Cambridge City Council’s Council Tax Reduction Scheme is not limited to a maximum amount and 100% of Council Tax may be met under the scheme for those who are most financially disadvantaged.
- 3.11 A Judicial Review in May 2014 regarding East Riding of Yorkshire highlighted the need for strengthened arrangements regarding Discretionary Reductions. The Review stated that “although a scheme or policy is not required by statute, it is difficult to see how such an open-ended discretion can be satisfactorily exercised in the absence of one”.

Legalities

- 3.12 For each financial year, the Council is required under the Finance Act 2012 to consider whether to revise or replace its Council Tax Reduction Scheme.
- 3.13 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.

Benefits of maintaining the current Reduction Scheme

Vulnerable Groups

- 3.14 The current Scheme meets the Council’s commitment to protect as many people as possible from any reduction in the level of Council Tax support.
- 3.15 This commitment means that the people of Cambridge who are in need of Council Tax Support do not have to find extra money towards their Council Tax at a time of other cuts in welfare benefits.

Work incentives

- 3.16 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 from when a person (on certain qualifying income-related and contributory benefits) goes into work.

Parity with Housing Benefit

- 3.17 The administration of Housing Benefit for people of working age will remain with local authorities until gradual transfer to Universal Credit, the timetable for which is still uncertain.
- 3.18 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. The transfer of Housing Benefit for pensioners to the Pension Service has been delayed, with no current estimated timetable for transfer.
- 3.19 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.
- 3.20 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 resulting in fewer queries than for other Councils.
- 3.21 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

- 3.22 By continuing to not impose an End of Calculation Deduction, the impact of the changes on the customer and those services that support them has been negligible.
- 3.23 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 costs associated with recovery action, court action and bailiff activity will have considerable impact upon the customer facing sections at a time of increased demand due to welfare reform changes.

Discretionary Council Tax Reduction Scheme

- 3.24 Councils have the discretion to reduce the amount of council tax payable by granting locally defined discounts under provisions contained in Section 13A (1)(c) of the Finance Act 1992, hereinafter referred to as 'discretionary reduction'.

- 3.25 This allows for a discretionary reduction which can be used in relation to any individual case or by determining a class of case for which the charge should be reduced. The discount must be funded from the Council's Revenue Budget (General Fund) and can amount to 100% of the council tax charge.
- 3.26 The Council will exercise its discretionary power to reduce Council Tax by considering applications in accordance with the attached Discretionary Scheme document at Appendix A.
- 3.27 The Council will consider each application for a Discretionary Reduction taking into account the circumstances in each particular case with reference to –
- a) the extent of financial hardship;
 - b) the amount of income in excess of essential expenditure according to the needs in each particular case;
 - c) whether any Council Tax discounts, exemptions or reductions, and social security benefits, to which the liable person may be entitled have been applied for;
 - d) any capital or savings that the applicant is in possession of or has access to;
 - e) assets that can *reasonably* be realised and whether any effort has been made, or is being made, to sell, let or dispose of those assets in order to alleviate the financial hardship; and
 - f) any other relevant circumstances.
- 3.28 The discretionary scheme complements the Council Tax Reduction Scheme and is not intended to be a rule based scheme as it is discretionary in nature and will take a holistic view of an individual's circumstances.
- 3.29 Details of circumstances where a Discretionary Reduction will not be made are in paragraph 6 of the Discretionary Reduction Scheme document, which includes matters such as misrepresentation and failure to disclose a material fact.
- 3.30 Eligibility for a Discretionary Reduction is not limited to certain classes of persons. Should an additional need to determine a specific class of case to which Discretionary Reduction should be granted, a separate report will be brought to committee for consideration.

4 Implications

(a) Financial Implications

- 4.1 The transfer of Council Tax support from Central Government to Local Government was accompanied by a 10% reduction in funding. This was an identifiable amount in the first year of the scheme, but

changes to funding arrangements means that this is no longer the case.

- 4.2 From April 2013 the Council decided to utilise other Council Tax reforms that allowed billing authorities to increase revenue on certain empty dwellings and second homes as a means to meet the identifiable shortfall in funding arrangements.
- 4.3 It is now entirely for local authorities to decide how much they are prepared to spend on Council Tax Support, which is why Central Government allocations are not separately identifiable.

Total value of Council Tax Support Reductions

- 4.4 As at 5 December 2014, the total value of reductions awarded in 2014/15 was £6,341,380. This amount will be subject to small variations due to changes in entitlements during the remainder of the year. This is a reduction on expenditure for 2013/14.
- 4.5 Working age allowance and premiums, excluding those for disabilities, will not increase in 2015/16, therefore, together with a small decrease in caseload and a decrease in average awards indicate that there will be a further reduction in the total value of Council Tax Reduction for 2015/16.

Funding Arrangements

- 4.6 The Settlement Funding Assessment is the total sum of the local share of the Estimated Business Rates Aggregate and the Revenue Support Grant.
- 4.7 Any amount included for the provision of Council Tax Reduction schemes is not stated as a separate sum.
- 4.8 The Discretionary Reduction Scheme is fully funded from the Council's Revenue Budget (General Fund).
- 4.9 There are no transitional arrangements as there are no changes to the current scheme proposed.

(b) Staffing Implications

- 4.10 None identified.

(c) Equality and Poverty Implications

- 4.11 An equalities impact assessment was carried out when the scheme was set up and this was reviewed in 2014. A further review will be undertaken when uprating details are known.
- 4.12 The Scheme fully meets the Council's responsibilities to protect vulnerable groups including responsibilities under the Child Poverty Act 2010, the Disabled Persons' Act 1986, the Housing Act 1996, as

well as the public sector equality duty in section 149 of the Equality Act 2010.

(d) Environmental Implications

4.13 Nil.

(e) Procurement

4.14 Nil.

(f) Consultation and communication

4.15 A full consultation and communication strategy was included when the scheme was established and is not required as there are no proposed changes to the scheme.

(g) Community Safety

4.16 Nil.

5 Background Papers

Full details of Cambridge City Council's Council Tax Reduction Scheme can be found at:

<https://www.cambridge.gov.uk/sites/www.cambridge.gov.uk/files/documents/council-tax-reduction-scheme.pdf>

The scheme will be updated with 2015/16 rates and allowances when available.

6 Appendices

Appendix A attached

7 Inspection of papers

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

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