



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

Report by: Alison Cole: Head of Revenues and Benefits

Relevant scrutiny committee: Strategy & Resources
Scrutiny Committee

Wards affected: All Wards

COUNCIL TAX REDUCTION REVIEW 2016-17

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 has been required to put in place a local Council Tax Support system 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 is required to set a scheme each year for people of working age.
- 1.3 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 as much as possible the equivalent levels of benefit for those currently entitled to it.
- 1.4 This report provides the Strategy and Resources Scrutiny Committee with details of the review of the Council's 2015-16 scheme and proposals for the continuation of the agreed current scheme rules for the financial year 2016-17.

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) as approved by Council on 19 January 2015;
- 2.2 Agree to invoke the Council's right under paragraph 42(2) of the scheme to set the applicable amounts in Schedule 1 in line with the

annual uprating of applicable amounts, which will shortly be laid by Parliament as an amending statutory instrument to the Regulations;

- 2.3 Agree to invoke the Council's right 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 1.5% as shown in Appendix 1;
- 2.4 Agree to retain the Family Premium in the schemes Applicable Amount and review for 2017-18;
- 2.5 Agree to retain the End of Calculation Deduction as set out in paragraph 49A of the scheme as "zero" per cent;
- 2.6 Agree to continue with the current position regarding discounts for empty dwellings and second homes.

3. Background

Council Tax Reduction

- 3.1 The Council was and continues to be committed to minimising the effects of reduced Government funding on the City's households.
- 3.2 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:
 - 3.2.1 The Cambridge City Council - Council Tax Reduction scheme (Persons who are not Pensioners) 2015, and
 - 3.2.2 The Cambridge City Council - Council Tax Reduction scheme (Pensioners) 2015
- 3.3 In Cambridge City Council, there are currently 6702 recipients of a Council Tax Reduction compared to 6828 recipients at the same point in 2014-15. The ratio between working age and pension age remains broadly the same with approximately 63% being working age.

Welfare Benefit changes

- 3.4 The Government has announced that most working age benefits are to be frozen for the next four years whilst key disability and carer benefits would increase by inflation according to the Consumer Price Index. This reduced income to claimants could result in a small increase in entitlement to Housing Benefit and Council Tax Reduction, but would depend on other factors such as application of the Living Wage and changes in Income Tax thresholds.
- 3.5 The Government has lessened the impact on Housing Benefit by also freezing the Applicable Amounts for working age people other than those

receiving a Disability Premium or Component and removing the Family Premium for those with dependants.

3.6 The Government also announced proposals to reduce the amount of Tax Credits from April 2016. However, the Autumn Statement on 25 November 2015 revoked these proposed changes.

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 taken to consultation, firstly with the precepting authorities and then to full public consultation prior to approval of any revisions to the scheme, which must be taken by full Council.

5 Benefits of maintaining the current Reduction scheme

Vulnerable Groups

- 5.1 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.
- 5.2 This commitment means that the people of Cambridge who are in need of Council Tax Support are not having to find extra money towards their Council Tax at a time of other cuts in welfare benefits.

Work incentives

- 5.3 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.

6 Financial Implications

Total value of Reductions

- 6.1 As at end of November 2015, the total value of reductions awarded in 2015-16 is estimated to be £6,327,065, subject to minor changes in

entitlements during the remainder of the year. CTR for 2014/15 was £6,309,355. As at this point last year CTR was £6,351,220.

- 6.2 Certain assumptions have been made to predict the estimated total cost of reductions in 2016-17, see appendix 1. It is also predicted that the number of people receiving a reduction will remain static or even fall slightly, and at the same time the amount of individual entitlements will decrease due to more people moving into work and increases in the scheme costs are due to the increases in the Council Tax itself.
- 6.3 Estimates indicate that Council Tax Support will lead to a reduction in the tax base of around 4,100 band D equivalent properties. The cost of CTR to the Council is therefore currently estimated to be around £740,000 for 2016/17. However, this does not take into account the funding received from the government (as funding for the scheme is not separately identified), or the additional revenue raised via the technical changes to council tax that were implemented to help meet the shortfall in funding.

Table 1

Total estimated CTR at the end of 2015-16	Total estimated CTR 2016-17 Assumptions plus 2% Council Tax Increase	Total estimated CTR 2016-17 Assumptions plus 2% Council Tax Increase plus 2% Social Care (3.45%)
£6,327,065	£6,570,414	£6,674,919

Risks

- 6.4 The Government has concluded in its own impact assessment that the key risks surround 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.
- 6.5 There is not enough data currently available to report the social and economic changes so far in 2015-16 to be able to predict the implications for 2016-17. However it is not anticipated that the situation in Cambridge will be significantly different in the coming year.
- 6.6 Amendments to the Regulations may not be available from the Government for many months meaning the assumptions in this report are provisional only and may need be updated as necessary once legislation is available.

7 Funding Arrangements

- 7.1 The Settlement Funding Assessment is the total sum of the local share of the estimated Business Rates aggregate and the Revenue Support Grant.
- 7.2 Any amount included for the provision of Council Tax Reduction schemes is not stated as a separate sum within the overall grant.
- 7.3 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.
- 7.4 The additional revenue from changes in Council Tax discounts and exemptions will continue to contribute to overall funding of the scheme and will continue to allow the Council to protect the amount of Reduction a person can receive under its scheme, including families.
- 7.5 It is 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.
- 7.6 Whilst the power to set the scheme rests with billing authorities (such as Cambridge City Council), the financial impact is shared with precepting authorities.

8. Transitional Arrangements

- 8.1 None. No changes to the current scheme are proposed.

9 Staffing Implications

- 9.1 None identified.

10 Equal and Poverty Implications

- 10.1 An equalities impact assessment was carried out when the scheme was set up and this was reviewed in 2015. A further review will be undertaken when uprating details are known.
- 10.2 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.

11 Environmental Implications

- 11.1 None.

12 Consultation

12.1 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.

13 Background papers

Cambridge City Council Discretionary Council Tax Reduction scheme 2016
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-taxreduction-scheme.pdf>

The scheme will be updated with 2016/17 rates and allowances when available.

14 Appendices

Appendix A: Council Tax Reduction Review 2016-17 - Assumptions

15 Inspection of papers

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

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