

SUBJECT: LOCALISED COUNCIL TAX SUPPORT 2016/17

DIRECTORATE: DIRECTOR OF RESOURCES

LEAD OFFICER: CLAIRE MOSES, REVENUES AND BENEFITS MANAGER

1. Purpose of Report

- 1.1 For Executive to review consultation responses and consider City of Lincoln Council's proposed Localised Council Tax Support scheme for 2016/17, and refer to Full Council for approval.

2. Executive Summary

- 2.1 The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support Scheme or replace it with another scheme. This report proposes keeping the current scheme in use for 2016/17, subject to minor amendments and seeks Executive's consideration to refer the proposed scheme to Full Council for approval.

3. Background

- 3.1 The Government abolished the national Council Tax Benefit scheme in March 2013 and replaced it with a local discount Council Tax Support (CTS) from April 2013. Funding for the scheme was reduced by 10% of the estimated expenditure. This Council decided that it would not reduce the support provided under the former Council Tax Benefit scheme and would fund the shortfall, this being the case for the 2013/14, 2014/15 and current 2015/16 scheme.
- 3.2 For 2015/16, the Council approved a £10,000 exceptional hardship fund to supplement Council Tax Support awards in exceptional cases. Up to 3 December 2015, £8,364 had been awarded from this fund. It is proposed that this fund continues into future years.

4. Reviewing the Council Tax Support scheme

- 4.1 Every Billing Authority must consider whether it will revise its Council Tax Support scheme by 31st January every year and allow for a period of consultation with its major preceptors and other stakeholders before it is approved by full Council. A CTS scheme cannot be changed mid-financial year.
- 4.2 Pensioners are protected and the parts of the scheme that apply to them are prescribed by regulation. As at the time of writing this report, the details needed to update this element of the CTS scheme have only just been announced by the Secretary of State and therefore the necessary amendments to the Council's scheme can be prepared for Council to approve.
- 4.3 The proposed CTS scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted

by this Council as a Billing Authority:-

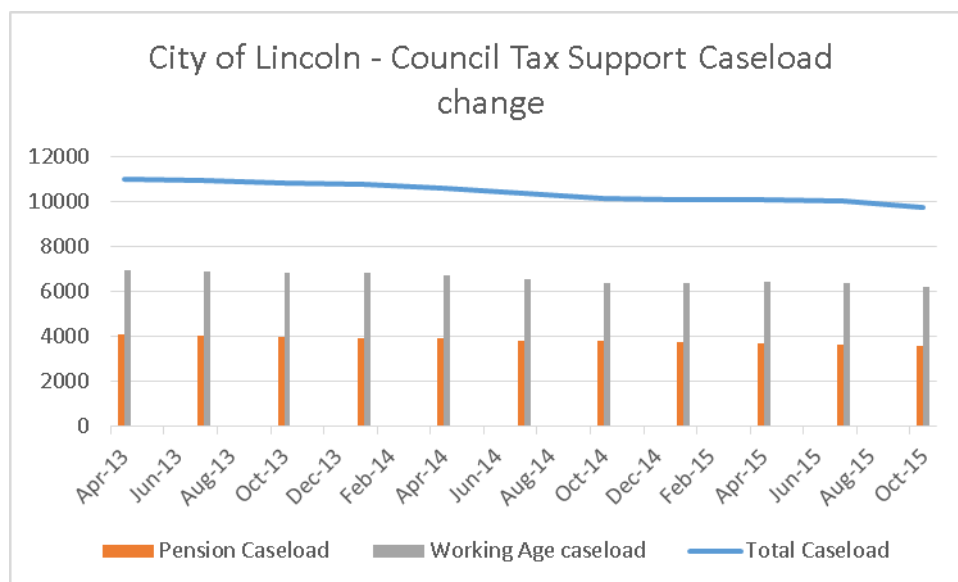
Before making a scheme, the authority must (in the following order):-

- a) consult any major precepting authority which has power to issue a precept to it,*
- b) publish a draft scheme in such manner as it thinks fit, and*
- c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.*

5. Council Tax Support Caseload

- 5.1 Council Tax Support is now a discount rather than a benefit, therefore affecting the Council Tax taxbase calculation. The more that is awarded the more the taxbase is reduced on which to raise Council Tax. Central government's policy intention is that Councils are now empowered to reduce the discounts awarded for CTS by reducing poverty and increasing jobs in the area so fewer people need to claim as this will allow Councils to increase the Council Tax revenue they can raise.
- 5.2 As a result, changes to the number of customers claiming CTS can affect the actual amount spent on the scheme.
- 5.3 Since April 2013 claimant caseload has continued to reduce with a total reduction of 11.4% since April 2013 through to October 2015. The table and graph below show the caseload change from 1 April 2013:

	Total Caseload	Pension Caseload	Working Age caseload
Apr-13	11,018	4,077	6,941
Jul-13	10,947	4,036	6,911
Oct-13	10,829	3,996	6,833
Jan-14	10,765	3,935	6,830
Apr-14	10,603	3,889	6,714
Jul-14	10,378	3,827	6,551
Oct-14	10,171	3,781	6,390
Jan-15	10,124	3,724	6,400
Apr-15	10,108	3,679	6,429
Jul-15	10,048	3,644	6,404
Oct-15	9,760	3,554	6,206



- 5.4 The latest projection for the amount of the CTS discount to be awarded in 2015/16 based upon spending as at 30 November 2015 is £7,558,122. This is a reduction of £352,864 from the predicted cost of £7,910,986 used within the taxbase calculation, the Council's share of this is approximately £57,517.
- 5.5 It is difficult to be certain about the amount of caseload change that may occur in the future and the effect that this will have on expenditure because CTS is an out-of-work and also in-work scheme. A household might be getting full CTS while out of work and then by getting work they may be part-time and on low wages and still getting full CTS or becoming self-employed without any profits. Overall income might not increase much above basic benefit levels so might not result in CTS expenditure falls. Although some further reduction is expected during 2016/17, national estimates are that this will begin to plateau out during 2017/18.

6. Proposed Scheme 2016/17

- 6.1 As set out in paragraph 4.1 above every Billing Authority must consider whether it will revise its CTS scheme each year by the 31st January, the Council must therefore decide whether it wishes to amend any elements of the scheme. As Members will be aware the Council when establishing the CTS scheme in 2013/14 adopted a scheme that did not change entitlement rules from the previous Council Tax Benefit system. This 'no change' scheme was again agreed by the Council for 2014/15 and 2015/16.
- 6.2 On the basis that the same policy objectives remain in place as in previous years, including the strategic priority to reduce poverty and disadvantage, then it is proposed that effectively a 'no change' scheme is adopted for 2016/17.
- 6.3 Although there will be no material change to the calculation of awards within the modelling, there will be some technical changes that will still need to be applied to ensure that the Council's scheme complies with the Prescribed Scheme Regulations (covering Universal Credit, premiums and discounts). These details are still awaited from Department for Communities and Local Government (DCLG).
- 6.4 Technical amendments to the scheme in relation to uprating income, applicable amounts, disregards and allowances are to be collated once statutory details have been released by the Secretary of State; it is intended that these will be circulated to

members for consideration at the Executive meeting of 11 January 2016

- 6.5 The Council also needs to ensure that the scheme covers sick and disabled customers who no longer receive the Disability Premium. The latter was included within the public consultation but only changes the wording not the effect of the scheme.
- 6.6 Prior to estimating the cost of the scheme for 2016/17 officers have made a number of high level assumptions, as follows:
- When establishing the estimates for 2016/17 officers concluded that caseload change of -1% is predicted.
 - The cost of the scheme in 2016/17 will be affected by the levels of Council Tax set by the City Council itself as well as the major precepting authorities of the County Council and the Police Authority, these are not due to be set until early March 2016. The Spending Review 2015 announced the introduction of a new 2% social care precept for local authorities with social care responsibilities i.e. Lincolnshire County Council, as well as offering greater flexibility to Police and Crime Commissioners allowing them to raise income from council tax by £5 rather than 2%. These additional powers have not been modelled in the scheme costs, and will not in any case affect the cost of the scheme to the City Council. For the purposes of estimated the cost of the scheme in 2016/17 the increase in Council Tax has been assumed to be 1.99%.
- 6.7 In addition officers have also considered the significant changes that were announced within the Welfare Reform and Work Bill 2015/16 and whether this should be applied to the CTS scheme as well, these announcements included;
- Housing Benefit backdating will be restricted to 4 weeks. Currently for the Council Tax Support scheme, backdating is 3 months for pension age and 6 months for working age. Backdating expenditure for Council Tax Support is low and would realise some savings. However, reducing backdating could result in smaller Council Tax balances which could be more difficult to collect, putting increased pressure onto recovery.
 - Family Premium will be removed for Housing Benefit from April 2016. DCLG have given clarification that removal of this premium for CTS is at the discretion of the local authority.
 - Up-rating Freeze for social security benefits, including Housing Benefit for 4 years.

As it is proposed that a 'no change' scheme is adopted then none of these announcements will be implemented for the CTS scheme.

- 6.8 Based on the scheme assumptions as set out above the estimated cost of the scheme is £7,731,411 of which the Council's share would be £1,260,220. The current Medium Term Financial Strategy assumes an estimated cost for the scheme of £1,288,642, the proposed scheme therefore estimates a reduction in costs of £28,422.

- 6.9 As required changes to the scheme are uprating the allowances, premiums and non-dependent deductions and incorporating changes specified by the prescribed regulation changes, there is therefore no change to the adopted policy to change the way CTS is calculated. Officers have considered if there is any need for any transitional arrangements to the revised scheme and concluded transitional arrangements are not needed for the 2016-17 scheme.

7. Consultation

- 7.1 Public consultation on a no change scheme was undertaken between 30 October 2015 and 27 November 2015. There were 22 responses in total and the results of the public consultation are shown in Appendix 4.
- 7.2 In addition the Council is also required to consult with the major precepting authorities, those being Lincolnshire County Council and the Lincolnshire Police & Crime Commissioner. The responses to this consultation are attached at Appendix 5 and 6.

8. Timetable

- 8.1 The timetable to approve any change to the new scheme takes into account the existing meeting calendar. The full Council as Billing Authority needs to approve the scheme after consultation with its major preceptors. The process must be completed each year by 31st January as required by the Local Government Finance Act 2012. Policy Scrutiny Committee considered the proposed scheme on 17th December 2015, the Minute extract being included as Appendix 7.

9. Significant Policy Impacts

9.1 Strategic priorities

Council Tax Support has a key role in Reducing Poverty and Disadvantage by ensuring residents in those households who cannot afford to pay their Council Tax receive financial support. The changes to Council Tax Support form part of the national welfare reform agenda, with the risks of changes to numbers of claimants due to economic change and funding gap costs being passed from central government to local authorities. Central government now has a fixed cost funding arrangement whereas local government must set a scheme in advance of the financial year it applies to but cannot change it should circumstances change unexpectedly or if the assumptions used to decide the scheme are not realised. Central government states that this places responsibility for the local economy such as creating businesses and jobs on local government as part of the localism agenda.

9.2 Community engagement/ communication

Council Tax Support awards are notified on Council Tax bills. As the proposed scheme is 'no change', there would be little to communicate except to notify claimants of the decision once their award for the new financial year is known.

9.3 Equality and Diversity

The Authority will be obliged to comply with its general equality duty under the Equality Act 2010. The scheme is being amended in line with statutory requirements and uprating the financial allowances. There is no change proposed to the way the existing scheme operates so no equality assessment has been undertaken.

10. Organisational Impacts

Finance (including whole life costs where applicable)

- 10.1 In 2013/14 the level of funding for CTS was specified separately from other government funding. Since 2014/15 funding for the scheme has now been subsumed into the government's annual funding settlement for local authorities. Whilst central government does not specify how much of this settlement should be used to fund CTS schemes, the overall annual funding settlement is expected to reduce each year over the next four year period.
- 10.2 The actual cost of the discount scheme in 2016/17 will not be known for certain until the end of the financial year and will be dependent on the actual caseload in year as well as the levels of Council Tax set by the City Council and the major precepting authorities. An indicative costs based on a number of assumptions is set out in paragraph 6.8 of this report.
- 10.3 The estimated cost of the 2015/16 scheme if effectively a 'no change' scheme was to be agreed would be reduce the cost to the Council by £28,422 in comparison to the current Medium Term Financial Strategy.
- 10.4 The estimated cost of the scheme, based on current caseload, is taken into consideration when calculating the Council's tax base for the financial year and will impact on the estimated Council Tax yield for the year. Any difference in the actual cost of the discount scheme to that estimated in the tax base calculation will be accounted for within the Collection Fund and will be taken into account when future years surpluses or deficits are declared. A report on the Council's tax base for 2016/17 will be submitted to the Executive and Full Council in January 2016.
- 10.5 The exceptional hardship fund of £10,000, made available during 2015/16, will continue to be available into 2016/17.
- 10.6 **Legal Implications incl Procurement Rules**
The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council has also decided in 2013 to keep the schemes allowances and premiums in line with those for Housing Benefit for working age claimants. These are incorporated into amendments to the local scheme for approval by the Council.
- 10.7 The regulations for the City of Lincoln Council scheme proposed to be adopted are to be collated and made available for Council in January 2016.
- 10.8 **Staffing**
No change to current staffing arrangements as a result of this policy.

11. Risk Implications

(i) Options Explored

- 11.1 Mindful of the current financial position of the Council and the financial challenges it faces over the Spending Review 2015 period officers have modelled a number of

scenarios which give an indication of the potential cost of the scheme if the Council were minded to adopt an alternative scheme. These scenarios include;

- Appendix 1 – No uprating of applicable amounts, personal allowances and non-dependent deductions;
- Appendix 2 – Restricting maximum CTS entitlement to a particular Council Tax Band (Bands C and D are modelled);
- Appendix 3 – 90% of Council Tax maximum eligibility.

(ii) Key risks associated with the preferred approach

- 11.2 The Council and other precepting authorities bear the risk of the cost of the Council Tax Support scheme should caseload increase causing the cost to increase more than predicted.

12. Recommendations

12.1 The Executive is asked to recommend to Council that it:

- 1) Reviews consultation responses relating to the Localised Council Tax Support scheme for 2016/17;
- 2) Considers the proposed City of Lincoln Council's Localised Council Tax Support scheme for 2016/17, and refer to Full Council for approval;
- 3) Approves continuation of an Exceptional Hardship Fund of £10,000 for 2016/17 to top-up CTS awards in appropriate cases.

Key Decision Yes

Do the Exempt Information Categories Apply No

Call In and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

Does the report contain Appendices? Yes

If Yes, how many Appendices? Seven

List of Background Papers: None

Lead Officer: Claire Moses – Telephone 873764