

ASSEMBLY

2 December 2015

Title: Council Tax Support Scheme 2016/17	
Report of the Cabinet Member for Finance and Central Services	
Open Report	For Determination
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jonathan Bunt, Strategic Director Finance & Investment	
Summary The Council has a statutory duty to consider annually whether to revise its Local Council Tax Support Scheme (CTSS) or replace it with another scheme. This report recommends keeping the current scheme for use in 2016/17, subject to minor amendments. The Assembly has a legal duty to approve the CTSS by Assembly by 31 January 2016.	
Recommendation(s) The Assembly is recommended to: (i) Agree that the Council Tax Support Scheme implemented for 2015/16 be retained for 2016/17, subject to the following minor amendments: <ul style="list-style-type: none">• To adopt the same non-dependant deductions that apply to Universal Credit applicants;• Apply the lowest non-dependant deduction for those receiving work related or sickness benefits (to be specified);• To realign Council Tax Support with the Housing Benefit legislation so that entitlement ends on the Monday following the last day of entitlement.	
Reason The Council's CTS scheme requires minor changes so the general administration of the scheme is simplified and compatible with all welfare reforms. For effective processing the scheme should align with the administration of Housing Benefit.	

1. Introduction and Background

- 1.1. As part of the 2010 Comprehensive Spending Review, the Government announced that it would localise support for Council Tax from April 2013. The proposals are part of a wider policy of localism which aims to give local authorities increased financial autonomy and be part of the reform of the Welfare System to improve

incentives to work whilst protecting the most vulnerable in society.

- 1.2. The Welfare Reform Act in 2012 abolished Council Tax Benefit (CTB) from April 2013 and, in its place, support took the form of a local Council Tax Support Scheme (CTSS). The scheme is now in its second year and helps low income households by reducing the amount of Council Tax that they have to pay.
- 1.3. CTSS has been funded by a fixed grant for the years 2013/14 and 2014/15. The funding has been based on expenditure in 2012/13 but with a factored reduction of 10%.
- 1.4. The Local Government Finance Act 2012 contains provisions for the setting up of local support schemes. The current scheme in Barking & Dagenham has been based on the Default Council Tax Reduction Scheme and has been ratified by Assembly. The scheme has included and replicated annual uprating of social security rates for Housing Benefit. This will continue in 2016/17.
- 1.5. The current scheme in operation ensures that;
 - The scheme is means tested
 - Pensioners are protected, i.e. they must be able to receive up to a 100% reduction (a provision of the national pension age scheme).
 - Everyone of working age contributes something towards their Council Tax. A “minimum payment” of 25%. There is a 75% maximum on which any entitlement to CTSS is based.
 - Those who are not pensioners and with capital in excess of £6,000 are not eligible for a Council Tax reduction under this scheme.

2. Proposals and Issues

- 2.1. Like many local authorities, the Council is facing unprecedented financial challenges and has identified over £37m of savings to be made over 2015/16 and 2016/17. This included an amendment to the CTS scheme for 2015/16 which, after full consultation, was approved by Assembly. The Council must continue with the scheme it implemented last year to avoid further financial pressures and an increase in its budget gap.
- 2.2. The proposed minor revisions to the current scheme do not affect the core elements of the scheme and only seek to make it easier to understand and administer to ensure it is compliant with the wider welfare system, principally the roll out of Universal Credit.
- 2.3. The proposed revisions are;
 - To adopt the same non-dependant deductions that apply to Universal Credit applicants;
 - Apply the lowest non-dependant deduction for those receiving work related or sickness benefits (to be specified);
 - To realign CTS with the Housing Benefit legislation so that entitlement ends on the Monday following the last day of their entitlement.

- 2.4. The adoption of these changes will simplify the administration of the scheme by bringing it more in line with how the Council currently administers Housing Benefit. It also addresses the technical issues the Council have faced with applying some of the rules that currently apply to the current scheme.
- 2.5. By adopting the Universal Credit non dependant deductions this will align the scheme with Universal Credit legislation and alter the level of non dependant deduction applied to a person's Council Tax Support. The deductions currently range from £3.30 to £9.90 and the proposal is to move to a flat rate of £4.65. This ensures the administration of the scheme falls in line with prescribed guidelines and that consistent rates are applied for Universal Credit and Council Tax Support.
- 2.6. By adopting the lowest non dependant deductions for those on means tested work related benefits this will align the scheme with Housing Benefit legislation and administration and alter the level of non dependant deduction applied to a person's Council Tax Support from current range of £3.30 to £9.90 to the lowest level being applicable. This ensures the administration of the scheme falls in line with prescribed guidelines and ensures ease of administration moving forward.
- 2.7. By adopting the effective date for changes in circumstance to mirror Housing Benefit Legislation (Monday following date of change) this reduces the level of administration required as both HB and CTS changes are effective from the same date. This will also reduce the level of customer query currently received as to why changes apply from one date for CTS and another for HB.

3. Financial Implications

Implications completed by: Kathy Freeman, Group Manager (Corporate Finance)

- 3.1. Keeping the Council Tax Support Scheme will have no impact on the amount of collectable Council Tax. However, applicants with outstanding Council Tax arrears which have occurred due to the cut in support last year will likely find it difficult to continue to pay their Council Tax next year. Unless their personal finances change for the better, collection rates next year may drop as a result of recovering last year's increased Council Tax charge.
- 3.2. The Council must set aside a discretionary fund for circumstances of exceptional hardship. It is anticipated that a discretionary fund of £50,000 can be created to assist those with exceptional circumstances. This would be monitored and reviewed quarterly, although case law does suggest that if exceptional hardship is shown the Council must grant a discretionary reduction and cannot refuse due to a "depleted budget". It is therefore vital that a clear policy is implemented so the Council can set their own criteria of whom would qualify for a discretionary reduction. The cost of the discretionary fund will reduce the overall Council Tax collected by £50,000.
- 3.3. In 2014/15, Assembly agreed to change the 2015/16 Local Council Tax support scheme with the effect of everyone of working age contributing a minimum of 25% towards their Council Tax, compared to a contribution of 15% under the 2014/15 scheme.
- 3.4. The decrease of entitlement for Council Tax support of 10% has resulted in 2,390 of Council Tax papers who are now liable to pay the full annual tax.

- 3.5. In addition to the 2,390 Council Tax payers who longer receive any form of Council Tax support, the average weekly amount payable has increased from £3.41 in 2014/15 to £4.31 in 2015/16. Over the course of a year, this equates to an average increase of £47 or an average increase of 27%.
- 3.6. The impact of the proposed change to end entitlement to CTS on the following Monday rather than the next working day is estimated, based on experience in 2014/15 and 2015/16 year to date, at approximately £5,000. It is anticipated that aligning this entitlement with Housing Benefit will create productivity savings within the Revenues team enabling with resource to focus on the collection of outstanding Council Tax.
- 3.7. The financial implication of the change from last year can now be seen, as lower earning Council Tax payers are paying off debts owed from previous years first before any payments are made towards the in year debt. The impact of the current support scheme will be closely monitored, alongside how effectively the Council is able to collect the additional 10% Council Tax from those who still qualify for Council Tax support.

4. Legal Implications

Implications completed by Dr. Paul Feild, Senior Governance Lawyer

- 4.1 The CTSS is a continuation of the scheme as approved by the Assembly last year following consultations as required by the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012. Maintaining the current scheme will bring no specific legal implications.

5. Other Implications

- 5.1 **Risk Management** - It is considered likely that keeping the current scheme will continue to make it difficult to collect Council Tax from those entitled to a reduction under the scheme. Presently there are 74,033 properties with a Council Tax Charge in this borough, as of September 2015, and 19,992 Council Tax Support claims against these properties.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None