



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Review of Council Tax Reduction Scheme
Meeting of:	Cabinet
Date:	12 th June 2017
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the Report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	[]

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer: **Angela Wakefield**

Date Signature

Chief Finance Officer: **Sal Khan**

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Cabinet

Date: 12th June 2017

REPORT TITLE: Review of Council Tax Reduction Scheme 2017

PORTFOLIO: Finance

HEAD OF SERVICE: Sal Khan

CONTACT OFFICER: Sarah Richardson Ext. No. x1716

WARD(S) AFFECTED: All

1. Purpose of the Report

1.1. To review the Council's Council Tax Reduction Scheme.

2. Executive Summary

2.1. The Council's current Council Tax Reduction Scheme has been in place since 1st April 2015 following a revision by Members in 2013.

3. Background

3.1. The Council's current scheme has been in operation since 1st April 2014. Legislation states that the Council must consider to revise or replace its scheme from the new financial year, onwards. In August 2013, Members agreed through Executive Decision Record to consult on a proposal for a new Council Tax Reduction (CTR) Scheme from 2014 in the same form as the existing scheme subject to the following amendments:

3.1.1. The new scheme to be applicable from 1st April 2014 with no specific end date;

3.1.2. The new scheme to include the same upratings for Working Age claimants (with regards to applicable amounts and non-dependant

deductions) as will be contained in the Prescribed Requirements issued by the Government for Pensioner Schemes in December 2013;

3.1.3. The new scheme to include annual uprating changes in line with the Prescribed Requirements set by the Government each financial year.

3.2. A review of the scheme has been conducted, incorporating some minor changes and the results of those changes are discussed in this report.

4. Contribution to Corporate Priorities

4.1. Council Tax Reduction helps Council Tax payers on low income to pay their Council Tax. As Council Tax is a main source of revenue to the Council, it underpins all priorities.

5. Current Scheme

5.1. The Council's current scheme was based on a framework agreed with the other Staffordshire District Councils in 2012. The Council is required to consider whether it will revise or replace its scheme each financial year.

5.2. The scheme has now been in place for four years and the amount of Council Tax collected shows that Council Tax is being paid. The number of claimants claiming CTR has reduced since the Council's scheme was first introduced, which indicates that current budget provisions are sufficient for the current scheme, as shown in table 1 below:

Table 1: Comparison of claimant numbers

Claimant Category	Aug-14	Aug-15	Jun-16	Apr-17
Pensioners	3747	3626	3361	3190
Vulnerable	1711	1984	2048	2040
Working Age Employed	920	896	950	956
Working Age Other	1751	1427	1093	1031
Total	8,129	7,933	7,452	7,217

5.3. Members will note that the number of pensioner claimants has decreased as has the number of working age claimants. The number of claimants classed as 'vulnerable' under the Council's scheme has increased over the lifetime of the current scheme.

6. Scheme Review

- 6.1. A review of the current scheme has been conducted to identify possible areas where reductions could be achieved. There have been no parameters set for this task, so we have taken the liberty to look at the Council's current scheme provisions. Members must note that any revisions to the scheme must go out for consultation before being approved by Council in December 2017.
- 6.2. The Council's scheme is broadly based on the now-abolished Council tax Benefit scheme with the following amendments for working age claimants:

Table 2: ESBC scheme highlights

- Maximum support 75% of Council Tax liability, restricted to a Band D Council Tax charge
(previously 100% maximum liability of any Council Tax band)
- No 'Second Adult Rebate' support
(support calculation based on other adults resident with the claimant rather than the claimant's own income)
- Capital Limit of £10,000
(previously £16,000)
- Flat rate earnings disregard of £25 for all working age claimants
(previously £10 disregard for couple, £5 disregard for single claimants and £25 disregard for lone parents)
- Three Non dependant deduction amounts (£0, £5, £10)
(previously 6 rates of charge dependant on the amount of earnings the Non dependant received)
- Vulnerable Scheme to include any working age claimant in receipt of a War Pension, Disability Premium and/or Disabled Child Premium.
(Working age claimants who are classed as 'vulnerable' under the Council's scheme have their entitlement calculated under the Government's Default Scheme with none of the above restrictions applied)

- 6.3. Initial calculations have found the following possible reductions should the above parameters be updated, as shown in table 3:

Table 3: possible reductions based on current parameters

Parameter	Number of claimants affected	Possible amount of reduction	ESBC portion (10%)	SCC portion (71%)
Maximum support 70% of Council Tax liability, restricted to a Band D Council Tax charge	2008	£94,665.85	£9,466.59	£67,212.75
Maximum support 60% of Council Tax liability, restricted to a Band D Council Tax charge	2013	£279,729.33	£27,972.93	£198,607.82
Maximum support 50% of Council Tax liability, restricted to a Band D Council Tax charge	2016	£458,095.21	£45,809.52	£325,247.60
Maximum support 75% of Council Tax liability, restricted to a Band C Council Tax charge	165	£2,635.98	£263.60	£1,871.55
Maximum support 70% of Council Tax liability, restricted to a Band C Council Tax charge	2008	£97,126.04	£9,712.60	£68,959.49
Maximum support 60% of Council Tax liability, restricted to a Band C Council Tax charge	2013	£281,730.70	£28,173.07	£200,028.80
Maximum support 50% of Council Tax liability, restricted to a Band C Council Tax charge	2016	£459,737.16	£45,973.72	£326,413.38
Capital Limit of £6,000	163	£10,684.91	£1,068.49	£7,586.29
Vulnerable Scheme to include any working age claimant in receipt of a War Pension, Disabled Child Premium, and/or an Enhanced Disability Premium/Severe Disability Premium (i.e removal of lowest Disability Premium from 'Vulnerable' criteria, including claimants receiving the 'support component of Employment and Support Allowance)	306	£42,678.98	£4,267.90	£30,302.08

6.4. A comparison of the Council's Benchmarking neighbours shows that there is only one local authority in the group which has a more strict scheme, as shown in table 4, below:

Table 4: Benchmarking comparison

Benchmarking group	Maximum LCTR
Kettering	65%
Wyre Forest	80%
Carlise	100%
Gloucester	100%
St Edmundsbury	91.5%
<i>High Peak</i>	<i>not available</i>
Chorley	92.5%
Rugby	85%
NW Leicestershire	85%
Worcester	Maximum eligibility Band D charge
<i>Newark & Sherwood</i>	<i>not available</i>
Bassetlaw	88% restricted to Band C property
Amber Valley	91.5%
South Kesteven	80%
Wellingborough	91.5%

- 6.5. A comparison with other Staffordshire Authorities has also been compiled as shown in table 5, below:

Table 5: Staffordshire Authorities comparison

Staffordshire LAs	Maximum LCTR
Cannock Chase	80%
East Staffordshire	75% restricted to Band D charge
Lichfield	80%
Newcastle under Lyme	80% restricted to Band D charge
South Staffordshire	80% restricted to Band D charge
Stafford	80% restricted to Band D charge
Staffordshire Moorlands	not available
Stoke	70%
Tamworth	75% restricted to Band D charge

- 6.6. It can be noted that the highest amount of possible reduction could be found by simply reducing the maximum amount of support available to working age claimants. This would, however, impact on the largest number of claimants. Removing claimants receiving the Disability Premium from the 'vulnerable' criteria would affect 306 claimants, and would see them having to pay at least 25% of their Council Tax charge, dependant on whether the Council decides to continue with the same level of maximum support or not. (*Note – this will not affect any claimant entitled to the Enhanced Disability Premium, Severe Disability Premium and/or Disabled Child Premium*).

- 6.7. The details shown in table 3 are for illustration purposes only. Should any combination of parameters be considered, further calculations can be done to obtain more definitive possible reductions.
- 6.8. The Housing Benefit regulations currently only allow a maximum of 1 month's backdated Benefit for working age claimants who have made a claim later than the date they want their Benefit to start. The Council's current scheme allows a maximum of 3 months' backdated benefit, in line with the abolished rules.
- 6.9. In 2016-17 164 claimants were awarded backdated CTR, totalling £11,983.40. It is proposed that the current provisions within the Council's scheme be amended to reflect the same maximum period of backdating award for working age claimants, i.e. a maximum of 1 month. If the proposed change had been applied in 2016-17, the same number of claims would have been backdated, however 26 of those claims would only have been backdated for a maximum of 1 month. Calculation indicate that it would reduce the backdated provision by just under £500.00

7. Council Tax collection

- 7.1. From the very start of the scheme there has been concern that working age claimants who had previously received 100% Council Tax Benefit would have difficulty paying their Council Tax charge under the Council Tax Reduction scheme and in addition to other pressures implemented via the Welfare Reform Act 2012.
- 7.2. The introduction of Council Tax Technical Reforms from 1st April 2013 allowed the Council to provide a 12 month instalment payment scheme for any Council Tax payer that requests it. All staff within Revenues, Benefits and Customer Contacts continue to offer this method of payment to any Council Tax payer who is experiencing difficulties paying their Council Tax to ensure their payments can be made without further recovery action being taken.
- 7.3. The Council also has its Council Tax Exceptional Hardship Payments policy which is available to any claimant experiencing such financial hardship that they are unable to pay their Council Tax liabilities. Very few applications have been received for consideration, with none received in 2016-17.
- 7.4. Council tax collection since the introduction of the CTR scheme is shown in table 6 below:

Table 6 – Council Tax collection rates.

Financial Year	Collection Rate achieved
2013-14	98.19%
2014-15	97.84%

2015-16	97.30%
2016-17	97.51%

7.5. Collection dipped for 2014/15 and 2015/16 due to the Capita conversion, however collection for 2016/17 showed a marked improvement and current indications show we are on target to achieve at least 98% collection for 2017/18.

7.6. In 2013 the Council experienced an increase of 37% in Council Tax arrears. Whilst all this is not attributable to the introduction of CTR, there has been a 68% increase in the amount of arrears under attachments to benefits (AoB) compared years prior to 2013. Under Council Tax legislation, there can only be one AoB in place for collection with another waiting for the first to clear. Consequently, there will be some council tax payers where other forms of recovery action will be taken as the AoB route will be exhausted.

8. Consultation

8.1. Legislation requires that where the Council decides to change its CTR scheme, there is a requirement to consult with major preceptors, publish a draft scheme and then consult with anyone else who is likely ‘*to have an interest in the scheme.*’. This must be done before Council approves the new scheme at its last meeting before 31st January of the financial year.

9. Financial Considerations

This section has been approved by the following member of the Financial Management Unit: Lisa Turner.

9.1. The main financial issues arising from this Report are as follows.

9.2. Table 6, below, shows the total amount of CTR expected to be awarded as the initial scheme was approved in 2012 compared to the amount of CTR awarded as at 31st March 2017:

Table 6: CTR expenditure comparison.

Date	03/12/2012		31/03/2017		Difference	
	Number	Amount	Number	Amount	Number	Amount
Pensioners	4198	3,375,209.93	3190	2,591,166.28	-1008	-784,043.65
Vulnerable Claimants	388	299,152.89	2040	1,816,744.34	1652	1,517,591.45
	4586	3,674,362.82	5230	4,407,910.62	644	733,547.80
Working Age Claimants						
Working Age Employed	1458	670,381.16	956	506,293.50	-502	-164,087.66
Working Age Other	2990	1,877,002.89	1031	603,342.54	-1959	-1,273,660.35

	4448	2,547,384.05	1987	1,109,636.04	-2461	-1,437,748.01
Totals	9034	6,221,746.87	7217	5,517,546.66	-1817	-704,200.21

9.3. These figures, along with current collection rates show that the scheme continues to perform well compared to initial expectations. The Chief Accountant is aware of the current performance and expenditure of the scheme which is currently within budgetary provisions.

9.4. There are a number of options set out within the report for consideration, the financial implications of these are shown in paragraph 6.3.

9.5. Should the scheme be altered to be less favourable, whilst there will be reductions to the amount of CTR expenditure, members must be aware that a reduction in support is likely to fuel a further increase in Council Tax arrears.

10. Risk Assessment and Management

10.1. The main risks to this Report and the Council achieving its objectives are as follows:

10.2. **Positive** (Opportunities/Benefits):

10.2.1. The current scheme is performing well and indications show that revenue should be as anticipated.

10.2.2. The Council will continue to provide support to the most vulnerable Council Tax payers.

10.3. **Negative** (Threats):

10.3.1. If the Council does not continue with its current scheme it will be forced to draft a new scheme for consultation or adopt the Government's default scheme, which will have an impact on the Council's finances.

10.3.2. Any amendments to the current scheme which will provide less support to Council Tax payers will see a reduction in expenditure, however it may also see an increase in Council tax arrears.

10.4. Any financial implications to mitigate against these risks are considered above.

11. Legal Considerations

This section has been approved by the following member of the Legal Team: Angela Wakefield.

11.1. The main legal issues arising from this Report are set out in the report, above.

12. Equalities and Health

- 12.1. An equality and health impact assessment is already in place for the current CTR scheme. Should the decision be made to change the Council's scheme, a new equality and health impact assessment will be conducted.
- 12.2. The main equality or health issues arising from the current scheme are as follows:
- 12.3. The equality and health impact assessment identified the following actions to be carried out:

Is it a Health or Equality action?	Issue/impact identified	Recommendation/Action required	Lead officer and timescale	Resource allocation
Health	Health, mental health, wellbeing, indirect impacts from social, economic and environmental living conditions	Referral to relevant agencies for advice and guidance.	Sarah Richardson; ongoing	R, B, & CC staff

13. Human Rights

- 13.1. The main Human Rights issues arising from this Report are as follows:
- 13.2. There may be implications under Article 8 (Right to respect for private and family life) and Article 1 of the First Protocol (Protection of property) but these have been taken into account in the preparation of this report.

14. Sustainability (including climate change and change adaptation measures)

- 14.1. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) N/A

15. Recommendation(s)

15.1. That the Council continue with its current scheme as shown in this report at paragraph 6.2.

15.2. That Members approve the proposed amendment to reduce the maximum period of backdated CTR award for working age claimants that do not come under the Council's Vulnerable Scheme, to 1 month to coincide with current Housing Benefit regulations, as shown in paragraphs 6.8 and 6.9.

16. **Appendices**

16.1. Appendix 1: Current CTR scheme.

16.2. Appendix 2: Current Vulnerable scheme.

16.3. Appendix 3: Current EHIA.