Subject: Local Council Tax Reduction Scheme 2017/18

Lead Officer: Dave Webb
Contact on 01789 260101

Lead Member/Portfolio Holder: Councillor D Riches

Summary
This report presents a draft Local Council Tax Reduction Scheme (LCTRS) for 2017/18.

Recommendation
(1) That it is agreed to publish the draft LCTRS (option 1 paragraph 6.7) for consultation which will commence on the 15 August 2016 and run for a period of 9 weeks ending on the 10 October 2016.

(2) That a further report setting out the response from consultees and the impact on the draft LCTRS is considered by The Cabinet at its meeting on the 7 November 2016.

1 Background/Information
1.1 On the 14 December 2015 the Council approved the LCTRS for 2016/17. At that meeting the Council resolved (minute 564): -

(1) That having considered the options outlined in the report the Local Council Tax Reduction Scheme remain unchanged for 2016/17;

(2) That the provision for additional support for war pensioners and the war disabled be continued;

(3) That the maximum period upon which a Local Council Tax Reduction Scheme claim could be backdated be limited to four weeks, in line with the current Housing Benefit scheme;

(4) That the national welfare benefit uprating be applied to the 2016/17 Local Council Tax Reduction Scheme; and

(5) That it be recognised that the Local Council Tax Reduction Scheme needed to change for long term sustainability and to this end undertake evidence gathering for a potential change in 2017/18.
1.2 Since the 14 December 2015 Council meeting, an extensive amount of research has been undertaken to help inform the LCTRS for 2017/18. This work has looked into the schemes adopted by other Councils, the administration of individual schemes, the impact on the collection of Council Tax and the financial impact on those claiming LCTRS which also takes into account other welfare reforms. More detailed information is provided in this report.

2 Consultation with residents
2.1 The LCTRS 2016/17 took account of the consultation undertaken with residents which ran for six weeks and began on Friday 14 August 2015 and ended on Friday 25 September 2015. A total of 159 responses were made in this period. To re-cap, 75% (117 respondents) preferred to change the LCTRS scheme to balance the books and 51% (76 respondents) preferred that those eligible for LCTRS should pay a minimum of 20% of their Council Tax bill.

2.2 In terms of the draft 2017/18 LCTRS, the Council is required to publish a draft scheme for consultation and it considers a period of 8 weeks to be sufficient time for responses to be received.

2.3 The Council has obtained advice on the approach in consulting residents on the preferred draft LCTRS. The Council must make it clear why the LCTRS needs to change and that the temporary absence rules and any other welfare changes are included to align the scheme with the current Housing Benefit scheme. In addition, the Council should set out the possible implications if the scheme is not changed.

3 Consultation with major preceptors
3.1 It is a requirement of the regulations surrounding the Local Council Tax reduction scheme that the views of the major precepting partners are determined ahead of a scheme being approved by Council.

3.2 Both the Police and Crime Commissioner and the County Council have received a letter identifying that the Council is currently considering the Local Council Tax Reduction Scheme and requesting that the position from their authorities be provided. At the time of writing these responses have not been received, however, it is expected that these will be available for consideration at the meeting of The Cabinet and or Council.

4 Alternative LCTRS
4.1 Most Local Authorities apply a minimum Council Tax payment level which ranges from 8.5% to 45%. In addition, some Local Authorities have also applied a savings limit below £16,000. Second Adult Rebate schemes have also been ended in some Local Authorities.

5 Impact on LCTRS recipients
5.1 Any changes to the LCTRS will inevitably impact upon a number of current recipients and new claimants from April 2017. To help mitigate the impact on the most financially vulnerable residents, it is proposed to introduce a hardship fund. This initiative has been implemented by a number of Local Authorities who have introduced LCTRS changes since the end of Council Tax Benefit.
5.2 If the Council is minded to introduce a hardship fund it would form part of its current section 13a scheme which was introduced to assist residents meet their Council Tax liability in ‘exceptional circumstances.’

6 Proposed LCTRS 2017/18

6.1 Having taken various factors into account (LCTRS elsewhere, the impact of any scheme changes for residents, the cost of administration versus potential scheme savings) this report proposes that the LCTRS for 2017/18 applies a minimum Council Tax payment level of 20%. This is the most widely used approach other Local Authorities and is relatively easy to administer. A copy of the 2017/18 LCTRS is attached at Appendix 1 to this report (to follow).

6.2 Although three options have been presented in this report (5.6, 5.7 and 5.8), option 1 is advocated even though more savings could be achieved in either option 2 or 3. The main reason for this is the potential financial impact on residents. This approach would not prevent further changes being applied from 2018/19 and beyond and would enable the Council to monitor the impact of the 2017/18 scheme to help inform any future changes.

6.3 The approach also aligns to initiating a more expansive review of the LCTRS following the roll out of Universal Credit. At that stage the impact of welfare reform changes will be clearer.

6.4 The current LCTRS includes additional provision for war pensioners and the war disabled as was the case under the old Council Tax Benefit scheme. This report proposes that the same provision is included in the 2017/18 LCTRS.

6.5 Every year the Government announces changes in the amount of welfare benefits, non dependant deductions and applicable amounts for the LCTRS. These changes are applicable from the 1 April in the following calendar year. The changes will be announced later this year and this report is seeking approval for them to be applied to all LCTR claims from the 1 April 2017.

6.6 As stated earlier, the preference from residents was to introduce an 80% maximum LCTR entitlement. There were also preferences for the Council to look at the amount which is currently deducted for non-dependents and also the maximum amount of capital which can be held. In light of this, three options are set out in this report.

6.7 Option 1 (minimum Council Tax payment level of 20%)

6.7.1 This option would generate LCTRS savings of £59,000 per annum. Based on the number of LCTR claimants who will be affected by changes to the scheme (3,230) this option would result in 390 claimants losing their entitlement to LCTR.

6.8 Option 2 (minimum Council Tax payment level of 20% and a flat rate non-dependant deduction of £10)

6.8.1 This option would generate additional LCTRS savings of £33,000 per annum making a total saving of £92,000. Based on the number of LCTR claimants who will be affected by changes to the scheme (3,230) this option would result in 26 current claimants being better off (this is because of a lower non dependant deduction for some claimants) and
380 being worse off.

6.9  **Option 3 (minimum Council Tax payment level of 20%, no second adult rebate entitlement and with a capital limit of £5,000)**

6.9.1 This option would generate additional LCTRS savings of £64,000 per annum making a total saving of £123,000. Based on the number of LCTR claimants who will be affected by changes to the scheme (3,230) this option would result in an additional 189 cases having their entitlement removed due to the revised capital limit and 107 cases where the removal of the Second Adult Rebate results in nil entitlement (8 of these cases would have lost their entitlement due to the capital change).

7  **Options available to the Committee/The Cabinet**

7.1 To change the LCTRS by applying a minimum Council Tax payment of 20% from 1 April 2017 (paragraph 5.6)

7.2 To change the LCTRS by applying a minimum Council Tax payment of 20% and changing non-dependant deductions to a flat rate of £10 per person from 1 April 2017 (paragraph 5.7)

7.3 To change the LCTRS by applying a minimum Council Tax payment of 20%, change non-dependant deductions to a flat rate of £10 per person and reduce the savings limit to £5,000 from 1 April 2017 (paragraph 5.8)

7.4 To introduce a hardship fund which can be made available to vulnerable LCTR recipients in ‘exceptional circumstances.’

7.5 To make special provision in the 2017/18 LCTRS for the war disabled and war pensioners.

7.6 To apply changes in the amount of welfare benefits, non dependant deductions and applicable amounts, as announced by the Government in the LCTRS from the 1 April 2017.

8  **Evidence Base**

8.1 LCTRS survey results 2015.

9  **Members’ Comments**

9.1 Comments received from Members have been incorporated in report.

10  **Implications of the proposal**

10.1 **Legal/Human Rights Implications**

10.1.1 The consultation exercise set out within this report complies with the Governments statement of intent in this area.

10.2 **Financial**

10.2.1 The proposed changes to the scheme identified within the report will incur “one-off” expenditure in order to make the necessary system and process changes. Government has previously provided “new burdens” funding to the Council for this purpose and there is currently £120,987 of unallocated resources from this source which it is estimated will be sufficient to meet these implementation costs.

10.2.2 In addition to the cost of implementing the scheme there are likely to be additional on-going pressures in relation to the recovery of Council Tax
from individuals that are currently not required to make a contribution. Certain groups such as pensioners and disabled groups are protected and therefore the additional payments will be restricted to working age claimants. It is suggested that there would be an additional cost of collection of at least £25,000; there could also be a negative impact upon the collection rate. Any impact on collection rate is passed on to all precepting partners through the collection fund, directly in proportion to the specific precept; therefore given that the County Council receives 76.4% of the total Council Tax collected it would need to meet this proportion of any deficit in collection.

- LCTRS recipients should pay a minimum of 20% of their Council Tax bill. This option would produce savings around £718,336 based upon current entitlements (3389 claims).

This increased income would be split between the precepting partners in line with the current share of the collection fund. This can be estimated as follows:
  - Warwickshire County Council - £540,460
  - Warwickshire Police & Crime Commissioner - £80,740
  - Stratford District Council - £57,750
  - Town/Parish Councils - £24,290

It should be noted that the District Council currently compensates the individual Town and Parish Councils for the loss in taxbase. This compensation takes the form of a grant and annually The Cabinet approves the allocation to the individual councils. The value of the grant in 2016/17 amounts to £170,000. Should the Council adopt the proposal above to reduce the benefits of the scheme then this will have the result of marginally increasing the taxbase in each of the Town/Parish Council areas. As part of the budget approved by Council in February this grant will be phased out entirely over the next five years, however, the introduction of the 20% scheme will compensate the parishes to a degree. It should be noted that before the introduction of a local Council Tax Reduction Scheme the taxbase for the district was 52,105.75, this reduced to 47,826.33 in 2013/14, but has since recovered to 50,780.61 in 2016/17.

10.3 **Environmental**

10.3.1 There are no environmental issues arising from the proposal contained within this report.

10.4 **Corporate Strategy**

10.4.1 The proposal contained within this report supports key objective 3 of the Corporate Strategy, ‘Responsible Community Leadership.’

10.5 **Equality Impact Assessment**

10.5.1 In determining its approach to the implementation of LCTRS the Government undertook an Equality Impact Assessment.

10.5.2 In respect of the Council’s proposed Scheme, an Equality Impact analysis has been carried out and a copy is attached to this report at Appendix 2. However, if no provision is made for those in receipt of a war pension there would be an adverse impact which could lead to challenges being made to the fairness of the proposed scheme.
11 Risk Assessment
11.1 Since the abolition of Council Tax Benefit, the Council has decided to leave the LCTS unchanged. This approach took account that other welfare benefit reforms were being implemented and recognised that understanding the impact on residents was important before implementing any changes.

11.2 The local impact of welfare reform has been tracked since changes were introduced. In summary, there is no strong evidence that the changes have adversely affected large number of residents in the district.

11.3 The results from the survey of residents, illustrates that there is concern over future Government funding of the Council and its ability to continue to leave LCTRS unchanged. The clear message from those who responded to the survey was that residents claiming LCTRS should be expected to make some contribution towards their Council Tax bill.

12 Conclusion
12.1 The Council has taken a measured approach in relation to LCTRS, taking account of a range of factors before deciding whether to implement any changes. The ongoing financial pressures plus evidence of experiences in other Local Authorities and feedback from residents now presents a compelling case for change.

12.2 The proposed draft LCTRS for 2017/18 is comparable to other schemes, it is supported by residents and reduces the financial burden on the Council. The introduction of a hardship fund also provides a safety net for those vulnerable residents who have exceptional circumstances which affect their ability to pay Council Tax.

Dave Webb
EXECUTIVE DIRECTOR

Background papers:

None.