

REPORT TITLE – COUNCIL TAX SUPPORT SCHEME 2014-2015
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

To provide an update on the current Local Council Tax Support Scheme (LCTS) and to seek approval from the Executive to reduce the maximum level of Council Tax Support from 91.5% to 88%.

2. **RECOMMENDATION**

The Executive endorses the reduction of the maximum level of Council Tax Support from 91.5% to 88%. This will require approval by Council by 31st January 2014.

3. **BACKGROUND TO THE REPORT**

From 1 April 2013 the national Council Tax Benefit scheme was replaced by Local Council Tax Support Schemes administered by District councils. Government funding for the local schemes was reduced compared to the existing national funding for council tax benefit. In broad terms the Council's grant funding for council tax support only covered 90% of the costs of the previous scheme based on current claimant numbers. For Hinckley & Bosworth the reduction in funding was in the region of £583,000

3.1 **Current Scheme**

The Government took powers in the Bill to prescribe certain classes or groups who must receive reductions. This will include classes of eligible pensioners, based on the same factors that have determined pensioner eligibility and award under the council tax benefit system. Therefore, excluding pensioners from any change, (who represent 54% of benefit recipients in Hinckley and Bosworth), the reduction in the Council's grant funding for council tax support is closer to 20%.

At the core of the new scheme is a benefit 'cap', which for Hinckley & Bosworth restricts benefits for working age claimants to a maximum of 91.5% of their total council tax liability. This means that all working age claimants of council tax benefit will pay at least 8.5% of council tax in 2013/14.

Crucially in October 2012 the government released new guidelines on the design of local schemes with which compliance was strongly encouraged, together with a financial incentive of one year's transitional funding for those Councils complying with these guidelines one of which was that those who would be entitled to 100% council tax benefit support paid no more than 8.5% of their council tax liability i.e. maximum support was set at 91.5%

The current spend on the Local Support Scheme is as follows

Current spending on LCTS 2013/2014 - Working Age (3,118)	£2,311,570
- Pensioners (3,701)	£3,053,276
	£5,364,846

3.2 Why does the current scheme need to change?

- The transitional grant which was received from government for the current year of £139,387 will not be received for 2014/15, resulting in a deficit that will need to be recovered.
- The Finance Settlement for 2013/14, included £544,764 of Council Tax Support Grant for this Council. £143,000 of this amount was passed to parish councils to reduce the impact on their council tax bases. There is uncertainty as to the amount (if any) of Council Tax Support Grant that will be receivable for 2014/15. Any reduction in this grant will also impact on the support this Council can offer to Parishes.
- There is a real risk that if this Council left the cap unchanged at 91.5%, then the Preceptors would withdraw the current funding used to support the Discretionary Discount Fund and the additional administration charges which totals £72,000, see table below under 3.3).
- Following the relevant distributions of Council Tax funding to the main preceptors (this Council only receiving around 10% of collected levies), the impact of not changing the scheme would impact the major preceptors funding streams materially. There is a risk therefore that a decision to leave the cap unchanged at 91.5%, would affect relations and risk further reductions in funding allocations to this Borough.
- The other District Councils in Leicestershire, apart from Harborough District Council, are consulting on increasing the minimum amount of council tax to be paid by all recipients of benefit to 10%, 15% and 20%, with an indication that mostly all will follow Harborough District Council who set their cap in 2013/14 at 85%.
- If the decision was made to leave the cap at 91.5%, then the estimated additional financial cost ,assuming that the preceptors remove their support for funding, will be £211,589 (see table below under 3.3).

3.3 The additional burdens assuming that the Preceptors withdraw their support for the Administration and Discretionary Discount Fund is as follows:

	Maximum Council tax Support 91.5%	Maximum Council tax Support 88%
Loss of support for Discretionary Discount Funding	£52,165	£52,165
Loss of support for admin funding	£20,037	£20,037
Loss of Transitional Grant	£139,387	£139,387
Reduction in Spend		
Stay at 8.5%	£0	
Reducing maximum level of support from 91.5% to 88%		-£100,359
(Deficit) if support funding removed	(£211,589)	(£111,230)
(Deficit) / surplus if support funding not removed	(£139,387)	(£39,028)

3.4 Examples of impact of reducing the maximum level of support from 91.5% to 88%

1. Laura is a single parent with two children under five years old. She is of working age and claims Income Support. For the current year she pays 8.5% of her Council Tax bill.

Council Tax charge	£963.23
Council Tax Support (Maximum 91.5%)	-£881.36
Actual charge	£81.87 (£1.57 p/w)

If Laura is liable to 12% of the council tax charge she will have to pay an additional amount per year of £33.71 or an additional £0.65 per week.

2. Mr and Mrs D are working age and they have a weekly income of £145.00 and live in a Band D property.

Council Tax charge	£1449.85
Council Tax Support (Maximum 91.5%)	-£ 1326.61
Actual charge	£ 123.24 (£2.36 p/w)

If Mr & Mrs D are liable to 12% of the council tax charge they will have to pay an additional amount per year of £50.75 or an additional £0.98 per week.

3.5 Support for Residents - Discretionary Discount Fund

The discretionary fund is used to support those people who will have great difficulty paying council tax. The discretionary fund is a fundamental part of the scheme; it provides districts with the flexibility to assess on a case by case basis requests for financial assistance from people who are vulnerable or suffering from severe financial hardship.

The discretionary fund also mitigates the potential increase in the number of small bad debts and impact on demand for public services more generally. The Fund will have common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base.

By the end of September 2013 a total of 106 Discretionary Discount awards have been made totaling £3,500. The total budget for 2013/14 was £58,000. It is anticipated that up to half of this budget will be used by the end of the year.

The major preceptors have indicated that any under spend of the discretionary fund in the current financial year can be carried forward to 2014/2015.

3.6 Collection Rates

Early analysis suggests that recovery of the debt is, as expected, resource intensive and proving difficult to collect. This is why continued support in the form of funding for the additional administration burden from the major precepting authorities is vital.

By September 2013, 7151 reminders had been issued (compared with 4,592 in September 2012) of which 2098 were issued to taxpayers in receipt of CTLS.

If the debt remained unpaid the enforcement process has continued resulting in the issuing of a summons (details below). As this is the first year of the changes we have taken the view, where appropriate to cancel the summons costs once the debt has

been cleared, this is particularly relevant to those of working age who have not had to pay council tax previously.

The table below reflects Council Tax arrears due and the amounts collected to date for CTLS cases that are paying Council Tax for the first time and were in receipt of full (100%) Council Tax Benefit on the 31st March 2013.

Number of accounts subject to enforcement	Amount due	Summons Costs	Total Due	Balance outstanding	Collection Rate
1418	£105,905.90	£28,257.00	£134,162.90	£66,591.49	49.63%

3.7 Comparison with other Local Authorities

A number of other authorities have been contacted to establish their plans in relation to their local schemes.

Authority	Caseload	Current Limit	Plans for 2014/2015
Bassetlaw	10,600	92%	Considering increase –Still at consultation
Blaby	5,400	91.5%	Considering increase to 12%
Charnwood	11,344	91.5%	Considering increase-no decision yet
Derbyshire Dales	4,410	91.5%	No change
East Lindsey	16,040	75%	No change
East Staffordshire	9,200	75%	No change
Harborough	4,100	85%	No change
Leicester City	37,006	80%	No change (restricted to Band B)
Melton	2,844	91.5%	Considering increase-no decision yet
North Kesteven	7,610	95%	Considering increase- Still at consultation
North Warwickshire	5,090	91.5%	No change
North West Leicestershire	6,930	91.5%	Consulting on 90%, 85% & 80% Likely to go with 15%
Oadby & Wigston	3,751	91.5%	Considering increase-likely to go to 15%
Rushcliffe	5,860	91.5%	No change
Rutland	1,740	75%	No change
South Kesteven	10,040	80%	No change

4.0 FINANCIAL IMPLICATIONS [KB]

Before 2013/2014, the Council held a budget for council tax and housing benefit of around £22million. From 2013/14, all working age individuals will be required to pay an element of council tax based on an agreed local scheme.

From a budget perspective, this has resulted in the removal of council tax subsidy (£5,842,570 2012/13) and also council tax benefit payments from the Collection Fund (£5,800,470 in 2012/13). This Council has been granted £50,898 in New Burdens monies to fund the cost of implementing these changes.

From a financing perspective, the LCTS has the result of reducing the Council's council tax base as income will only be received for a proportion of those properties previously in receipt of council tax benefit. In 2013/2014, the council tax base was impacted by -3,532.7 Band D equivalent properties and, consequently, council tax financing was reduced by £318,617. The added complexity going forward is that the level of collection and income received by the District will also immediately impact the financial arrangements and position of the major preceptors; Leicestershire County Council, Leicestershire Fire and Rescue and Leicestershire Police.

In order to compensate for this loss, the Finance Settlement included £544,764 of Council Tax Support Grant for this Council in 2013/14. £143,000 of this amount was passed to parish councils to reduce the impact on their council tax bases.

Going forward, the local council tax scheme will be a core budgeting decision for the Council as the impact of any changes will significantly impact the available funding. For the purpose of this strategy, the council tax base for various schemes has been calculated based on movement in 2013/2014.

In addition, the increased levels of Council Tax now collected will increase the levels of collection fund surplus allocated to this Council and the major preceptors. The forecast levels assumed in the strategy are following heavily prudent assumptions on the level of bad debt that may arise from the numerous "new" and smaller debts that will be raised for citizens who have not previously been liable for council tax charges.

5. **LEGAL IMPLICATIONS (AB)**

The Schedule 1A of Local Government Finance Act 1992 requires all local authorities to consider each financial year whether to revise its Local Scheme for Council Tax. For any changes to the Scheme to have effect in the 2013/2014 financial year the revision must be made by 31 January 2014.

6. **CORPORATE PLAN IMPLICATIONS**

The welfare reform changes have had a significant impact on individuals within the Borough and we will continue to support those individuals and households through the use of the Discretionary Discount and Discretionary Housing Payment Schemes.

7. **CONSULTATION**

The Local Government Finance Bill imposes a duty on billing authorities to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme.

All authorities within Leicestershire, except Harborough District Council, are consulting on plans to increase the benefit cap to between 90% and 80%, and our expectation is that all authorities who limited support in the first year, to take advantage of the transitional grant will be increasing their cap. Members need to be aware that if we do not increase the cap we will be out of step with other authorities within Leicestershire.

We wrote to in excess of 3,100 working age claimants in receipt of council tax support asking them to give their views on reducing the maximum amount of support from 91.5% to either 90%; 88%; 85% or 80%.

The option existed to take part in the survey either on-line or by completing a paper copy which was available on request.

We received only 20 responses to the survey which equates to just 0.6% of those written to, that may suggest the strength of feeling against an increase is not as great as perhaps thought.

The results and comments received are detailed in Appendix A.

Claimants were also given the opportunity to attend one of four Local Scheme awareness sessions held at the Atkins Building on Monday 30 September, regrettably there were only five attendees during the whole day.

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The mix of council tax benefit claimants is such that it is generally difficult to protect specific vulnerable groups, such as families with young children, or the disabled, as protecting these would result in a highly adverse impact on non-protected claimants

In order to mitigate the impact of the scheme on other vulnerable groups a Discretionary Discount Fund is being utilized to allow the Council to support the most vulnerable residents on a case by case basis.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

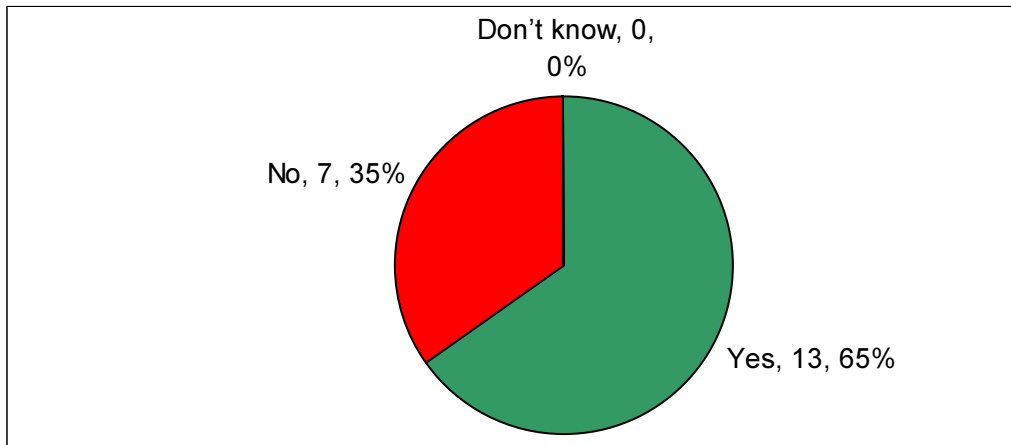
- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: None

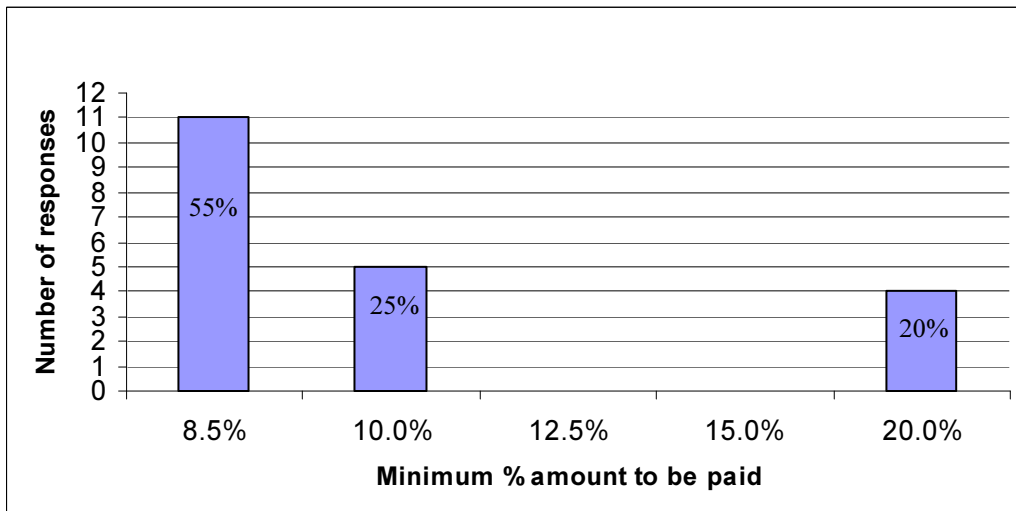
Contact Officer: Storme Coop Ext 5706
Executive Member: Councillor Keith Lynch

Appendix A

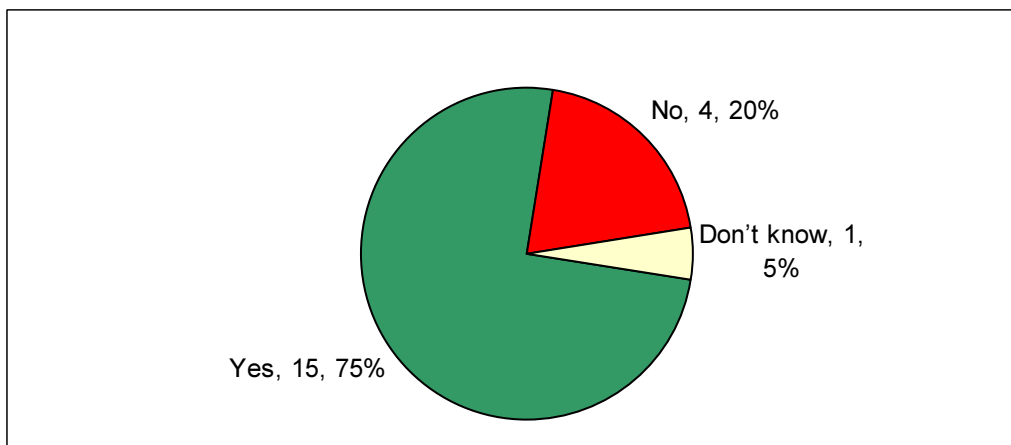
Q - Should everyone pay something towards their Council Tax



Q - How much should they pay as a minimum



Q – Should the Council protect vulnerable people from paying more



Claimants were invited to comment on the scheme in general terms and the following have been taken directly from the responses

- People on benefits get just enough to pay for everyday living costs and yet now they are having to pay Bed Room tax and part of their Council Tax from the same amount of money! I am struggling my self to pay this extra money out of my husbands DLA
- Every one should pay. when you see people on benefit using taxis several times a week for shopping every one should pay at least 20%
- I am really struggling to pay this extra money along with bedroom tax! I am now spending over a quarter of our benefit on this and it is crippling me
- As someone who is on benefits i find it hard to pay the 8.5% but do believe all should pay something but must be kept to the minimum, thank you
- I think it's terrible that the poorest people have to contribute towards council tax and rent
- I feel it is important that everyone makes a meaningful contribution to the local council budget, this will inform their thinking on the way money is spent - in particular the efficiency of the way it is spent - as they are a contributor
- Other than pensioners all these groups should be able to work. Some pensioners have higher incomes than working folk without the costs so pensioners are not an homogenous group.
- Welfare Reform is having a drastic impact on disabled people. I am already in fuel poverty. Coupled with that, I now have to pay for bus travel to access mental health support groups in Leicester 3 days a week (I have to be there before 9.30am)
- Where exactly are nil or low income individuals expected to find the monies to pay for any increase in CT? It is already difficult to find the 8.5% asked of, for the year 2013. This is a hidden poll tax and should be scrapped immediately.
- If it has to be increased no more than 10%. Benefits are not going up, living costs increased and finding even £1 a week extra means less money to spend on food.