

**LOCAL COUNCIL TAX SUPPORT SCHEME 2014/15**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Key Decision / Non-Key Decision	Non-Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 Government changes to the benefits scheme in relation to Council Tax required the Council to introduce an annual Council Tax Support Scheme, from April 2013. This report summarises the results of the statutory public consultation on Redditch Borough Council's draft Council Tax Support Scheme ("the Scheme") 2014.
- 1.2 The report presents proposals to implement the Council Tax Support Scheme along with proposals for the implementation of a Hardship Fund to help support those most badly affected by the changes to support.

**2. RECOMMENDATIONS**

**The Executive Committee is asked to RECOMMEND to Council that**

- 1) the Scheme, as amended, be implemented, namely that entitlement to Council Tax support should be capped at 80% of Council Tax liability so that all working age claimants will pay a minimum of 20% towards their Council Tax Liability; and**
- 2) the implementation of the proposed Hardship Scheme be agreed.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 From April 2013 the national scheme of Council Tax Benefit was replaced by locally agreed Council Tax Support schemes. Pensionable age claimants are protected but local billing authorities are tasked with determining the extent of support for working age claimants. As this is a discount rather than a benefit, the impact of the change to Council Tax Support was to reduce the tax base for the Council by the amount of any support given. This affected all organisations that raise a precept, including the Borough Council, major preceptors and the parish council. Compensation for the loss of council tax is paid for by the Government as Council Tax Support Grant to billing authorities and major preceptors. The Grant is equivalent to around 90% of previous council tax benefit costs.

- 3.2 The cost of council tax benefits in Redditch was around £6.5m per year. The changes resulted in a 10% shortfall of around £650k which is split between the Borough Council (including the parish council) and our major preceptors, broadly in line with the proportion of council tax levied. As a result the County Council will take the largest share of the shortfall. The cost to the Borough was in the region of £91k (14%).
- 3.3 Also from April 2013, more discretion was given to billing authorities regarding discounts and exemptions for second and empty homes. The Borough Council reduced discounts on second homes from 10% to nil and reduced short term empty property exemptions from 100% to 50%. These changes are estimated to claw back in the region of £257k (£26k for RBC) of the overall funding gap.
- 3.4 The results of an initial round of consultation on proposals for changes to the Local Council Tax Support scheme were reported to Executive Committee on 12th November 2013
- 3.5 Executive Committee endorsed the proposal to cap entitlement to Council Tax Support at 80% of liability and resolved that a further period of consultation be entered in into.
- 3.6 The Council has received 46 responses to the latest consultation, which closed on 20th December 2013. Respondents were asked whether or not they supported the proposals.
- 3.7 A total of 37% of the respondents were in favour of changes to the scheme and 6.5% offered no opinion. 56.5% of responders did not support the proposed change.
- 3.8 The adoption of the draft scheme would meet the remainder of the funding gap in Council Tax Support. It would also ensure that for households with the same Council Tax liability there will be an equal cut to Council Tax Support in cash terms.
- 3.9 The impact of the changes, particularly on residents who are of low income and have not previously paid Council Tax will need to be assessed and those individuals offered support and advice on managing their finances. It is hoped that with the framework of personal support that is in place as part of the transformation of the service this will mitigate the impact on residents and reduce any potential shortfalls in income recovery.
- 3.10 There is also the potential to introduce a small discretionary hardship fund for a two year period if we introduce a scheme which meets the full funding gap.. Individual comments received in relation to both statutory consultations evidence a need to consider specific support for those most in need.

- 3.11 As this is required to be a discretionary scheme, and in order to ensure that the fund can be used to help those in the most need, the scheme needs to be as flexible as possible within certain parameters. A copy of the proposed Council Tax Hardship Fund is attached at Appendix 1.
- 3.12 As part of the process for determining a person's application for support through the Hardship Fund officers would take into account the applicant's financial situation, and the impact that the shortfall is likely to have on them. Eligibility to apply for other local grants and benefits will also be considered.
- 3.13 The Council Tax Hardship Fund will be used for discretionary stand-alone payments, subject to an annual cash limit, in cases where the local authority considers that extra help with Council Tax liability is needed as a result of the Council Tax Discount scheme introduced from April 2014.
- 3.14 Only people who are working age and already in receipt of council tax discount will be permitted to make an application. The duration and level of the award will be determined individually for each application and when an award period comes to an end the claimant will be required to reapply at which time their circumstances will be reviewed. The award will only be used towards payment of Council Tax.
- 3.15 A simple application process is proposed, with claimants making a declaration that information they have provided is correct. When an application is approved the applicant will be issued with a revised Council Tax Bill and a covering letter to confirm the period and amount of award. If an application is not approved this will be advised by letter and the applicant given the opportunity to ask us to reconsider the decision.

**Legal Implications**

- 3.16 On 1 April 2013 Council Tax Benefit was abolished and replaced by a new scheme of Council Tax support called "Council Tax Support Schemes". Under s13A and Schedule 1A of the Local Government Finance Act 1992 (inserted by s10 Local Government Act 2012); each local authority was required to make a Council Tax Support Scheme specifying the reductions which are to apply to the amounts of council tax payable.
- 3.17 Statutory Instrument 2012/2885, "The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012" ensured that certain requirements prescribed by the Government were included in each Scheme (subsequently amended by S.I. 2012/3085)
- 3.18 The Authority must make any revisions to the Scheme no later than 31 January in the financial year preceding the one when it will take effect, so that it will be necessary for the Council's 2014/15 scheme to be in place by 31<sup>st</sup> January 2014.

- 3.19 Failure to agree a new scheme would result in the current scheme continuing to apply and a subsequent funding gap would emerge for both the Borough Council and other preceptors, which could result in challenge from those organisations.
- 3.20 The Hardship Fund Policy will be published on the Council's website to ensure openness and transparency.

**Service / Operational Implications**

- 3.21 Income recovery and financial support officers will work to ensure that residents are supported through any changes to mitigate the impact on their own finances together with those of the Borough. Additional training will be provided to staff in budget management to support our residents in managing their finances.
- 3.22 There may be a requirement to make changes to software however this will be dependent on the revisions to the scheme that are finally approved.
- 3.23 Staff will be provided with training and guidance in relation to the Council Tax Hardship Fund and dealing with applications.
- 3.24 The provision of support through the Council Tax Hardship Fund is line with our purpose to help people to be financially independent. Staff will also consider other avenues of support to help the applicant back to financial independence.

**Customer / Equalities and Diversity Implications**

- 3.25 The changes will not disproportionately impact on those with special protected characteristics under the equality duty and the discretionary hardship fund will minimise any adverse impact caused.

**4. RISK MANAGEMENT**

- 4.1 Any changes to council tax support whilst increasing council tax income to the Council and our major preceptors will potentially have wide implications for our residents and therefore officers will ensure that support on managing finances and advice on other potential benefits is made available. In addition the income recovery team will continue to measure the arrears position to ensure that members are aware of the impact on income collected.

**5. APPENDICES**

Appendix 1 – Council Tax Hardship Fund – Draft Scheme.

**6. BACKGROUND PAPERS**

Held in Revenues Service

**REDDITCH BOROUGH COUNCIL**

**EXECUTIVE  
COMMITTEE**

**14<sup>th</sup> January 2014**

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**AUTHOR OF REPORT**

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