

MUNICIPAL YEAR 2013/2014 REPORT NO. **142**

MEETING TITLE AND DATE:
CABINET, 11 December 2013
COUNCIL, 29 January 2014

REPORT OF:
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Customer Services
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Agenda – Part: 1	Item: 8
Subject: Council Tax Support Scheme for 2014/15	
Wards: All	
Cabinet Member consulted: Cllr Andrew Stafford	

1. EXECUTIVE SUMMARY

In January 2013 Council agreed a new Council Tax Support Scheme to replace the previous national Council Tax Benefit Scheme which was to be abolished by the Government in April 2013.

Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme. This report recommends a revised Council Tax Support Scheme for 2014/15 taking in account the assessment of options, the knowledge gained during the previous year’s implementation, consultation results (Appendix C) and the Equalities Impact Assessment (Appendix B). It contains the Council Tax Support Scheme which the Council is required to produce under section 13A(1)(a) and Schedule 1A of the Local Government Finance Act 1992. The Council must adopt the same or new scheme by 31 January of the preceding financial year to which the scheme will apply.

2. RECOMMENDATIONS

2.1 That Cabinet recommend to Council the Local Council Tax Support Scheme agreed for 2013/14 with the following amendments (see Appendix A for technical changes):

- That working age recipients of Council Tax Support who also receive Carers Allowance, the support component of Employment Support Allowance or higher rate Disability Living Allowance (or Personal Independence Payments) are exempted from the 19.5% reduction applied to all other working age claimants.
- That working age foster carers recruited, trained and supported by Enfield Council in receipt of Council Tax Support are also exempted from the 19.5% reduction applied to all other working age claimants

2.2 That Cabinet recommend to Council the removal of the one month discount for empty and uninhabitable homes.

3. BACKGROUND

- 3.1 In 2012 the Government announced that as part of a series of welfare reforms, the national Council Tax Benefit scheme was to be abolished and replaced with local schemes. At the time, funding for the replacement local schemes was reduced and Enfield faced a £5m shortfall in funding if it kept the national scheme in its entirety.
- 3.2 Enfield consulted widely on a proposed local scheme and in January 2013 approved a scheme which saw pensioners and war widows protected from any change but working age claimants seeing a 19.5% reduction in support. At the same time Council agreed changes to exemptions and discounts to Council tax which saw the discount for empty and refurbished homes reduced to one month, no discount given for second homes and the introduction of a new empty homes premium of 150% of council tax for homes left empty for more than two years.
- 3.3 Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme. This report recommends a revised Council Tax Support Scheme for 2014/15 taking in account the assessment of options, the knowledge gained during the previous year's implementation, consultation results and the Equalities Impact Assessment (see Appendix B).

4. REVIEW OF FIRST SIX MONTHS OF OPERATION

- 4.1 Collection of Council Tax has been monitored closely this year and additional support provided. Claimants of Council Tax were given the opportunity to pay in weekly instalments and new pay kiosks were introduced in Edmonton, Palmers Green, Enfield Civic Centre and Enfield Highway library. No referrals have been made to bailiffs for working age claimants of council tax support. Wherever possible the Council is seeking to agree payment arrangement plans or attachments to earnings/benefits.
- 4.2 As at the end of September 2013, the projected income levels are being met and it is estimated that the council will achieve the ultimate council tax collection rate of 96.87% for 2013/14. However a number of residents paid the year in full and this will affect the profile of income. The analysis to date is limited as the scheme has only been in place since April 2013 and a full year's collection data is not known.
- 4.3 In recognition of the difficulties faced by local households, the Council introduced a new discretionary council tax hardship scheme. Households facing exceptional financial hardship can apply to the scheme and receive help with their council tax. In the first six months of the scheme, applications were predominately from single adults with mental health or other disability. Take up of the council tax hardship scheme has been increasing recently and it is likely to be called upon over time not simply within the current financial year. It is anticipated that this fund will roll over into 2014/15 and be topped up through the budget setting process as a way of protecting the most vulnerable.

- 4.4 In order to minimise the impact on working age claimants, the local Council Tax Support Scheme is based on the national Default scheme with some key changes, most notably that applicants of working age have their Council Tax Support assessed against 80.5%, rather than 100% of their liability. This figure was based on the level of projected grant and income, taking in account the costs of protecting pensioners and other protected groups. Due to the requirement for a scheme to be approved before a full year's collection data is known, it is not recommended to change this threshold.
- 4.5 A key principle of the scheme agreed by Council is that it is a fully funded scheme where council taxpayers are not asked to pay more to meet the Government's funding shortfall. On the basis of the council taxbase it was calculated that working age benefit recipients would need to pay an additional 19.5% to fully fund the shortfall. If the council wished to remove this principal of fully funding it would require further consultation setting out where the savings would be made. This consultation would need to be concluded before council in January in order to meet the statutory notification to precepting authorities by the 31st January.
- 4.6 Last year the Government offered a one off transitional grant if a council capped any reduction to 8.5%. In Enfield's case, the government grant did not bridge the funding shortfall and therefore it would not have been a fully funded scheme. This year the Government has announced that they will not be providing a grant. Therefore any reduction in the percentage would need to be funded in full by the Council and the GLA.
- 4.7 For the 2013/14 council tax support scheme, the Council estimated that the shortfall in Government funding would be £4.9m and assumed a collection rate of 53% overall for council tax payers affected by the reduction.

5. CONSULTATION ON 2014/15 SCHEME AND DISCOUNTS/EXEMPTIONS

- 5.1 The Council consulted on the Local Council Tax Support Scheme for 2014/15. The consultation took place from 9 September 2013 to 18 October 2013 and was available on the Council's website, at council reception points, libraries and was sent to local voluntary and community organisations, 500 council tax payers and 500 recipients of council tax support. A press release was issued to over 70 media outlets and promoted through facebook and twitter.
- 5.2 As can be seen from Appendix C, the vast majority of comments on the impact of the proposed scheme were on its impact on disabled people who do not have the ability to work and carers where they are saving the public purse considerable resources.

6. PROPOSED AMENDMENTS TO THE SCHEME

- 6.1 The Council has taken in account the assessment of options (including keeping the current scheme), the knowledge gained during the previous

year's implementation, consultation results and the Equalities Impact Assessment (See Appendix B).

- 6.2 Without a full year's collection data, it is not recommended that the 19.5% reduction for working age claimants is amended as this may result in the scheme not being fully funded. As this is a key principle of the scheme, the Council would need to reconsult before the January Council meeting. If there is a shortfall in collection, the Council will need to find the money from further savings or increased income and these alternatives would need to be in the consultation.
- 6.3 However, reflecting on the strength of feeling expressed by representative groups, the nature of hardship applications received and the opportunity to further reduce any negative equalities impacts, it is proposed that, in addition to pensioners and war widows who are already protected, the following are assessed against 100% council tax liability and therefore can, if eligible, receive 100% support:
- working age recipients of Council Tax Support who also receive Carers Allowance, the support component of Employment Support Allowance or higher rate Disability Living Allowance (or Personal Independence Payments)
 - working age foster carers recruited, trained and supported by Enfield Council in receipt of Council Tax Support
- 6.4 Current records show that 969 people on Carers Allowance, Support component of Employment Support Allowance and Higher Rate Disability Living Allowance/Personal Independence Payments would benefit from this change at an estimated cost of approximately £212,000. There are 23 foster carers who would benefit from this change at a cost of £5,447. These costs would be shared with the Greater London Authority on the basis of 78% Council:22% GLA.
- 6.5 All other aspects of the Council Tax Support Scheme remain the same as in 2013/14 and no concerns have been raised about their negative impact.

7. DISCOUNTS AND EXEMPTIONS

- 7.1 A number of comments were raised about discounts and whether to amend the current one month exemption for empty and uninhabitable homes. Some comments were concerned about charging people council tax whilst homes were going through probate or where a family has to move into residential care. In these cases, the existing scheme already provides an exemption.
- 7.2 However, with a chronic shortage of housing in the borough, some comments referred to the fact that the main beneficiary of the one month discount was private landlords. This was not acting as a disincentive for private landlords to avoid multiple voids and turnover of properties.
- 7.3 In order to encourage responsible letting with minimal void periods, this report recommends removing the one month discount currently available for empty

and uninhabitable homes from 1 April 2014. This would save £211,000 and would be shared with Greater London Authority on the ratio of 78% Council:22% GLA.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The Council has also considered not amending the scheme. However the experience of the first nine months of the scheme suggests that certain groups are being negatively impacted who have limited opportunities to find work and increase their income. The level of reduction of 19.5% is based on the scheme being fully funded and is calculated using the number of CTS recipients, collection rates, government grants and the cost of protecting pensioners and other protected groups. Without a full year's collection rate, it is not recommended to change the percentage as at this stage there is no evidence of either a significant reduction in claimants, increased government grant or a surplus in collection. Therefore any change to the percentage would be likely to result in the scheme no longer being fully funded and alternative funding would need to be found to bridge the shortfall. This would require a further consultation before the deadline of 31 January 2014. The Government has confirmed that they will not be providing a transitional grant this year.

9. REASONS FOR RECOMMENDATIONS

- 9.1 The recommendations contained in this report follow an assessment of options, experience of the first nine months of the scheme, the lack of a full year's collection data, the Equality Impact Assessment and the consultation. The recommended changes seek to reduce negative impacts for defined protected groups under the Equality Impact Assessment and support the Council's aims to build strong, stable communities. A number of other London boroughs already provide protection for carers and disabled adults and have ceased to provide a discount for empty or uninhabitable homes. See Appendix A for the technical changes to the scheme.

10. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

10.1 Financial implications

There are 969 current claimants that would benefit from the proposed exemption from the 19.5% reduction in support. At an average loss of £218 per annum, the estimated annual cost of providing the exemption is approximately £212,000. The cost of providing an exemption for foster carers is £5,447.

The current cost of providing the one month discount for empty and uninhabitable homes is £211,400. Both the costs of the exemption and the savings associated with the discount would be shared with the Greater London Authority on the basis of 78% Enfield Council, 22% GLA.

The savings associated with removing the one month discount for empty homes would cover the additional costs of providing protection for carers and disabled adults. The estimated cost to the Housing Revenue Account of removing the one month discount is £10,000.

10.2 Legal implications

The Council has duties within an existing legal framework to review its Council Tax Support Scheme annually. If the Council intends to revise or replace the scheme for 2014/15, it is obliged to undertake consultation with persons likely to be affected ahead of adopting a scheme and agree any revisions at a meeting of the Council by 31 January 2014. This requirement has been met.

The proposals for amendment to the Council Tax Support Scheme for 2014/15 set out in this report provide further consideration for vulnerable people, by extending the exemption from the 19.5% reduction in support applied to all other working age claimants to carers and disabled adults.

An equality impact assessment of the impact of the proposals and outcome of the consultation has been undertaken and considered, ensuring compliance with the Council's duties generally under the Equality Act 2010 to avoid discrimination and promote equality of opportunity and access, and further monitor any possible negative impact hereafter.

The proposals for amendment recommended in this report will strengthen protection for vulnerable groups and help ensure that the Council meets its existing statutory duties in relation to vulnerable groups under the Equality Act 2010, the Child Poverty Act 2010 and Housing Act 1996.

10.3 Property Implications

None.

10.4 Key Risks

The key risks relate to operational, financial and reputational concerns. There is an operational risk of failure to collect the estimated amount, e.g. if any category of exemption has not been specified and following implementation of the scheme the Council is unwilling to pursue recovery action in particular cases of default. The operational risks may be contained by trying to assist payers with supportive payment arrangements and by applying fairly the recovery process.

The financial risk is of insufficient collection rates and of caseload rises being beyond those anticipated in calculating the Local Scheme costs and deductions required from support. In the initial year of the scheme there is a risk that collection rates may be over or under stated. The opportunity to adjust anticipated ultimate collection rates in the scheme for 2015/16 will be available when the scheme for that year is set no later than 31st January

2015. Variation between the estimated and actual collection rates and caseload levels will result in either a deficit (or surplus) on the Collection Fund in future years. The current Medium Term Financial Plan assumes no variation to current assumptions.

The reputational risk is of failure to make proper provision for people on low income losing some of the current level of support. The reason for this scheme arises from a Government decision to replace the existing national scheme with local schemes with reduced grant funding and clearly considerable help will need to be available to payers facing increased Council Tax bills as a result of the change in scheme. Conversely, failure to properly pursue payment of Council Tax due in such cases would create inequality of treatment with other Council Taxpayers many of which will have income levels only marginally above the limit for obtaining Council Tax Support.

10. IMPACT ON COUNCIL PRIORITIES

10.1 Fairness for All

The draft Local Scheme retains protection for pensioners, war widows and extends the protection to carers and those with severe disabilities. The draft scheme attempts to strike a fair balance between the interest of Council Tax Benefit recipients and those taxpayers who do not receive help with their Council Tax payments. The Council Tax Hardship Scheme provides support for those households facing exceptional financial hardship.

10.2 Growth and Sustainability

One of the drivers for the Welfare Reform programme of the Government is increasing employment and the overall level of demand for Council Tax support will depend to a considerable extent on the ability of local unemployed residents to find paid work and for those in employment to find better paid work.

The draft Local Scheme is funded by passing on the cost of reductions in full in the level of support offered to Council taxpayers. Reductions in disposable income may have an adverse impact in the local economy.

10.3 Strong Communities

The consultation exercise has shown that, as a principle, there is strong support for some payment to be made by all Council Taxpayers whether or not receiving Council Tax Support. However, combined with other welfare reform measures, there is the potential for an increase in the number of families and individuals in the borough living in poverty.

11. EQUALITIES IMPACT

The Equalities Impact Assessment for the amended scheme is attached as Appendix B. The recommendations contained in this report improve equalities outcomes for protected groups.

12. PERFORMANCE MANAGEMENT IMPLICATIONS

None.

13. PUBLIC HEALTH IMPLICATIONS

This change affects those already struggling due to the wider Government welfare changes. The implications will depend upon the success of residents gaining employment or, for those in low paid employment, obtaining better paid employment. Supporting people facing hardship and stress will be key to promoting the ability of families to provide healthy food, to pay bills and to promote sound mental health.

APPENDICES

Appendix A – Technical Changes to the Council Tax Support Scheme

Appendix B – Equalities Impact Assessment

Appendix C – Consultation results