

MUNICIPAL YEAR 2014/2015 REPORT NO. **154**

MEETING TITLE AND DATE:

COUNCIL, 28th January 2015

REPORT OF:

Director of Finance, Resources and Customer Services

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| Agenda – Part: 1 | Item: 9 |
| Subject: Council Tax Support Scheme/Council and Business Rate taxbase 2015/16 | |
| 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 not to change the Council Tax Support Scheme for 2015/16 other than to include statutory regulation amendments and national uprating of social security benefit rates. Appendix 1 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. The report also recommends the 2014/15 council tax and business rate bases (Appendix D and E) along with minor amendments to business rate relief for 2015/16.

2. RECOMMENDATIONS

2.1 That Council agrees the Local Council Tax Support Scheme for 2015/16 as shown at Appendix A.

2.2 Pursuant to this report (see Appendix D for full detail) and in accordance with the Local Authorities (Calculation of the Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Enfield as its Council Tax Base for 2015/16 shall be 91,714 Band D equivalents.

2.3 Agree the Department for Communities and Local Government NNDR1 business rate base return for 2015/16 (Appendix E). Please note this appendix has been marked as "To Follow".

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2.4 Agree the amendment to the discretionary rate relief scheme as set out at 2.2 of Appendix E

2.5 Agree the extension of the business rate transitional scheme as detailed in 2.3 of Appendix E

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 not to change the Council Tax Support Scheme for 2015/16 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). The 2015/16 scheme has been amended to include the provisions of the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014 which come into force on the 12th January 2015 but do not apply to local schemes until 1 April 2015. As well as upratings, minor amendments in terminology, the new legislation restricts the availability of council tax support in line with the amendments which were made by the Housing Benefit (Habitual Residence) Amendment Regulations 2014.

4. REVIEW OF THE OPERATION OF THE COUNCIL TAX SUPPORT SCHEME TO DATE.

4.1 Collection of Council Tax has been monitored closely 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. Wherever possible the Council is seeking to agree payment arrangement plans or attachments to earnings/benefits.

- 4.2 The projected council tax base income levels for council tax support cases were exceeded in the first year of the scheme. It is estimated that the council will achieve the ultimate council tax collection rate of 97.33% for 2015/16, an increase of 0.46%. This is based on ultimate collection rates of 85% and 98% for council tax support and non-council tax support payers respectively.
- 4.3 In recognition of the difficulties faced by local households, the Council introduced and has maintained a discretionary council tax hardship scheme funded by Government grant up to 2014/15 which has been set aside in reserves for this purpose. Households facing exceptional financial hardship can apply to the scheme and receive help with their council tax. 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 of the scheme. It is anticipated that this fund will roll over into 2015/16. At the time of writing this report the provisional Local Government Finance Settlement had cut the grant in 2015/16. Once the reserve has been exhausted there is currently no funding available to meet future costs.
- 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. For 2014/15 the Council amended the scheme to extend the exemptions so that, in addition to pensioners and war widows who are already protected, the claimants in receipt of 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 including the care and mobility components, Personal Independence Payments, enhanced daily living or mobility component only.
 - working age foster carers recruited, trained and supported by Enfield Council in receipt of Council Tax Support
- 4.5 A key principle of the scheme agreed by Council was that it is a “fully funded scheme” by Government grant 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. The government incorporated this grant into general government funding which has been reduced over recent years. The Council must now manage the scheme as part of the budget process rather than a ‘fully funded scheme’.

5. CONSULTATION ON 2015/16 SCHEME

- 5.1 The Council consulted on the Local Council Tax Support Scheme for 2015/16. The consultation closed on the 28th November 2014 and was available on the Council's website, at council reception points, libraries and was sent to local voluntary and community organisations. A press release was issued to over 70 media outlets and promoted through facebook and twitter. The proposed scheme subject to consultation for 2015-16 retains the current scheme and protects Council Tax Support recipients from further government funding reductions imposed on the Council.
- 5.2 As can be seen from Appendix C, the majority of comments regarding the scheme were in favour of keeping the existing scheme unchanged.
- 5.3 The Greater London Authority responded to the Council's public consultation on the 28th November 2014 and encouraged all billing authorities to have regard to the Governments broad principles when developing their schemes. These are:
- Pensioners see no change in their current level of awards whether they are existing or new claimants
 - That billing authorities consider extending support or protection to other vulnerable groups
 - Local schemes should support work incentives and in particular avoid disincentives to move into work.
- 5.4 Enfield's proposed scheme has existing protection for pensioners. In 2014/15, support and protection for vulnerable groups was extended (see paragraph 4.4 above) and tapers and applicable amounts remain based on national social security rates.
- 5.5 The GLA also suggested billing authorities review the challenges of collecting relatively small sums of money from claimants on low incomes who may not be able to pay by automatic payment mechanisms. The Council has extended the use of payment kiosks as detailed in paragraph 4.1 following the introduction of the scheme and has also reviewed estimated collection rates based on the experiences in the first two years of the localised scheme.

6. PROPOSED AMENDMENTS TO THE SCHEME

- 6.1 All aspects of the Council Tax Support Scheme remain the same as in 2014/15 except the statutory changes detailed above and for the calculation of allowances and premiums for working age claimants which will continue to be uprated in accordance with relevant uprating of social security benefit rates and any statutory amendments contained within The Council tax reduction schemes (Prescribed Requirements) (England) (Amendment) (No2) Regulations 2014 - SI 2014 No 3312).

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The Council has also considered amending the scheme. However the experience of the first year and a half of the scheme suggests ultimate collection rates remain uncertain and Government funding continues to be cut. The level of reduction of 19.5% was based on the scheme being fully funded and calculated using the number of CTS recipients, collection rates, the council tax support grant announced in 2013/14 and the cost of protecting pensioners and other protected groups. Without longer term collection data, it is not recommended to change the percentage as at this stage as there is no evidence of either a significant reduction in claimants. Since 2013/14 government funding has reduced including the CTS element. Any change to the percentage would be likely to result in increasing the budget pressure on the council which is likely to impact most of the vulnerable in the borough. The Government has confirmed that they will not be providing a transitional grant this year.
- 7.2 Given the Government reductions in Council funding for future years it is likely that the Council will undertake a consultation exercise as early as main council tax billing this year for the 2016/17 council tax support scheme outlining a range of funding options.

8. REASONS FOR RECOMMENDATIONS

- 8.1 The recommendations contained in this report follow an assessment of options, experience of operating the scheme to date, the lack of longer term collection data, the Equality Impact Assessment and the consultation. The recommended changes introduced last year 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 and are recommended to be continued next year.

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

9.1 Financial implications

The agreed council and business rate tax bases will be built into the 2015/16 budget and council tax to be recommended to Council on 25th February.

9.2 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 2015/16, it is obliged to undertake a full consultation with persons likely to be affected and such persons considered as likely to have an interest in the operation of the scheme ahead of adopting a scheme.

The proposals for amendment to the Council Tax Support Scheme for 2015/16 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, including foster carers and categories of 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 recommended proposals for the Council Tax Support Scheme 2015/2016 in this report will strengthen protection for vulnerable groups mentioned, 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. This report also adopts the amendments in the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No 2) Regulations 2014.

9.3 Property Implications

None

9.4 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 was a risk that collection rates may be over or under stated. The Council has adjusted anticipated ultimate collection rates in the scheme for 2015/16 based on experience to date. 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, 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

Appendix D – Council tax base

Appendix E – Business rate base - To Follow