

MUNICIPAL YEAR 2015/2016 REPORT NO. 168

MEETING TITLE AND DATE:

COUNCIL - 28th January 2016

REPORT OF:

Director of Finance, Resources and Customer Services

Contact Officer: Geoff Waterton

Geoff.Waterton@enfield.gov.uk

Agenda – Part: 1

Item: 8

Subject: Council Tax Support Scheme for 2016/17 and 2017/18 and the Council and Business Rate Tax Bases 2016/17
Wards: All

Cabinet Member consulted: Cllr Andrew Stafford

1. EXECUTIVE SUMMARY

- 1.1 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.
- 1.2 Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme.
- 1.3 This report recommends changing the Council Tax Support Scheme for 2016/17 to increase the minimum contribution for working age households not in a protected group to 25% and reduce the savings threshold to £6,000 following consultation with local people, statutory regulation amendments and national uprating of social security benefit rates. For the 2017/18 scheme the minimum contribution for working age households not in a protected group will be 26.5%. This reflects the wider funding reductions facing the authority and maintains the principle of the scheme being self-funded.
- 1.4 Appendix A 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 2016/17 Council Tax and Business Rate bases (Appendix D and E).

2. RECOMMENDATIONS

- 2.1 That Council agrees the Local Council Tax Support Scheme for 2016/17 to provide financial support for households on low incomes in paying their Council Tax as shown at Appendix A, taking into account the consultation responses (Appendix C) and the Equality Impact Assessment (Appendix B).
- 2.2 For the 2016/17 scheme, the minimum contribution for working age households not in a protected group will increase to 25% and the savings threshold will reduce to £6,000. For the 2017/18 scheme, the minimum contribution will increase to 26.5% to ensure the scheme retains the principle of fully-funded scheme.

There are also statutory regulation amendments and national uprating of social security benefit rates that have been incorporated into the scheme as set out in Section 6 below.

2.3 In recognition of the potential for increased hardship a one-off contribution is made to the Council Tax Hardship Scheme reserve of £500,000. This will be reviewed in January 2017

2.4 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 2016/17 shall be 93,432 Band D equivalents.

2.5 Agree the Department for Communities and Local Government NNDR1 Business Rate base return for 2016/17 (Appendix E). **(To follow)**

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 by 10% and Enfield faced a £5m shortfall in funding if it continued to follow the previous national policy.

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, and working age claimants seeing a 19.5% reduction in support. The Scheme was based on the principle of a fully-funded scheme so that minimum contributions are set at a level of cover the costs of the scheme only and council tax payers are not asked to contribute to the costs. 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 (the maximum allowed).

3.3 Every year the Council is obliged to consider whether to revise or replace its local Council Tax Support Scheme. As a result of the consultation and Equalities Impact Assessment for the 2014/15 scheme, the Council increased the range of protected groups further to include foster carers registered with the Council, people in receipt of Carers Allowance and people in receipt of higher rate disability benefits (Higher Rate Disability Living Allowance, Higher Rate Personal Independence Payments and the support component of Employment Support Allowance).

- 3.4 Over this period the Council's funding has been significantly reduced and this is expected to continue. In 2015/16 the Council protected the scheme and the recipients from these funding reductions and provided a subsidy. However, in the light of continued funding reductions, it is now recommending that the amount of subsidy provided to support low income working age households in paying their council tax is reduced in line with the Council's wider funding reductions.
- 3.5 The Council has to agree a Local Council Tax Support Scheme each year. Next year's scheme has to be agreed by 31 January 2016 or the Government's default scheme will be applied which is likely to cost the Council over £9m per year.

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. The Council has always recognised that by providing a range of payment options, as well as advice to customers, overall collection rates improve. 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. The Council achieved the overall Council Tax collection rate of 97.33% for 2015/16, an increase of 0.46%. This was based on overall 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. 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 with over £250,000 awarded this year and it is likely to be called upon over time not simply within the current financial year of the scheme. Currently over 9000 households are behind in their council tax payments so an increase in bad debt has been incorporated into the figures alongside a further £500,000 added to the Hardship reserve.
- 4.4 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. Similarly the minimum contribution is set at a level to cover the costs of the scheme only and not to provide additional income. 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 has since incorporated the funding for council tax support into general government funding which has been subject to significant reductions.

- 4.5 The Council currently provides £21m a year to fund the Council Tax Support Scheme. Between 2014/15 and 2016/17 the Council's core funding (excluding schools grant and public health) is expected to reduce by 20%. Between 2015/16 and 2016/17 the funding is expected to reduce by 7.5%.
- 4.6 If the Council had not provided a subsidy in 2014/15 and 2015/16 and increased the contribution rate in line with Government funding reductions, the minimum contribution rate would be 39.5% for 2016/17. With the wider funding cuts affecting every service, the Council can no longer afford to subsidise the scheme to the extent that it has. As a result, the Council proposed the subsidy paid to working age households that are not in a protected group is reduced and consulted on a range of options. Pensioners and protected groups would continue to be exempt from these changes.
- 4.7 At the time of the consultation, the Government was also proposing to make changes to the national Tax Credits regime which would have cost the council an estimated £750,000 a year. The Government has now scrapped these changes and therefore the Council will not incur these additional costs. As a result, one of the options is no longer relevant (option C) and the percentage reduction in subsidy referred to in options A and B will reduce. As this decision was not expected and came at the end of the consultation period, the document and questionnaire was not amended. However the consultation document specifically referred to the percentages being indicative and dependent on final Government budget announcements and therefore the consultation results still stand as an indication of people's views on the options.

5. CONSULTATION ON THE 2016/17 PROPOSED SCHEME

- 5.1 The Council consulted on the proposed Local Council Tax Support Scheme for 2016/17 and referred to the potential of agreeing two year scheme. The consultation closed on the 18th December 2015 and was available on the Council's website and advertised extensively including through a flyer sent to every home in the borough, emails to 5,000 Council Tax payers and Council Tax Support recipients, flyers included in regular correspondence, 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.
- 5.2 The consultation asked people a series of questions summarised below and set out in more detail in Appendix C. There were 402 responses, nearly 800% higher than the consultation for the 2015/16 scheme. 17% of responses were from Council Tax Support recipients and 73% were 45 and older. For more detail of the results see Appendix C.
- 72.9% believe that working age households who have the ability to work should have to pay something towards their Council Tax each year irrespective of earnings.
 - 72.1% wanted to keep the protected groups as they are.

- 60.4% believed that the savings threshold for council tax support recipients should be reduced to £6,000 from £16,000.
- 5.3 In the consultation, responders were asked how much they agreed with 4 different options for the contribution rate:
- Option A – increase minimum contribution from 19.5% to 43% to reflect two years of wider council funding reductions and the tax credit changes
 - Option B – increase minimum contribution from 19.5% to 30% to reflect one year of wider council funding reductions and the tax credit changes and make a further £2m in budget reductions to fund the costs
 - Option C – increase minimum contribution from 19.5% to 23% to reflect increased costs of tax credits and make a further £3.25m in budget reductions to fund the costs
 - Option D – keep the 19.5% minimum contribution and make a further £4m in budget reductions to fund the costs
- 5.4 None of the four options were supported by a majority of respondents:
- Option A - 42.7% agreed, 44.5% disagreed
 - Option B - 36.8% agreed, 48.0% disagreed
 - Option C – 33.8% agreed, 51.5% disagreed
 - Option D – 24.8% agreed, 58.5% disagreed
- 5.5 This possibly reflects the fact that most respondents were not Council Tax Support recipients and were therefore more concerned with the impact on services of further budget reductions.
- 5.6 Looking at the responses from Council Tax Support recipients, 84% agreed to continue with the protected groups, 47% agreed that working age households should pay something towards Council Tax with 50% disagreeing and 47% agreed that the savings threshold should be reduced to £6000 with 50% disagreeing. In terms of the options, the most preferred option among CTS claimants was Option D (no change) with 43% agreeing and 30% disagreeing. Option A had 19% agreeing and 63% disagreeing, Option B 24% agreeing and 57% disagreeing and Option C 37% agreeing and 51% disagreeing.
- 5.7 The Greater London Authority responded to the Council's public consultation on the 15th December 2015 and stated:

The Government has expressed a clear intention that in developing their scheme proposals billing authorities should ensure that:

- *Pensioners see no change in their current level of awards whether they are existing or new claimants*
- *They consider extending support or protection to other vulnerable groups*
- *Local schemes should support work incentives and in particular avoid disincentives to move into work*

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their schemes.

The GLA considers that before finalising their 2016-17 schemes billing authorities should re-examine the challenges which they will face in collecting relatively small sums of money from claimants on low incomes who may not be in a position to pay by direct debit or other automatic payment mechanisms based on their experiences in the first three years of the localised system.

The Council currently offers a range of payments methods and options and is due to extend customer self-service significantly in 2016/17 to allow customers to manage their council tax payments themselves.

- 5.8 As set out above, Option C is no longer relevant as the Government has scrapped its Tax Credit changes. As a result the Council will not now incur an additional £750,000 cost and this reduces the percentages in Options A and B to 39.5% and 26.5% respectively. As this is more beneficial to the figures and the Council's consultation document made it clear that the final percentages may change as a result of Government funding announcements, the views expressed by responders are still valid.

6. PROPOSED AMENDMENTS TO THE SCHEME FOR 2016/17 and 2017/18

- 6.1 The savings threshold is reduced from £16,000 to £6,000 in line with the consultation responses.
- 6.2 Protected groups remain the same as the 2015/16 scheme.
- 6.3 The minimum contribution for working age households not in a protected group increases from 19.5% to 25% for 2016/17. This will increase to 26.5% in 2017/18 to reflect one year's worth of wider council funding reductions. Whilst none of the options received overall support, this was the 2nd most preferred option and would mitigate some of the financial impact on the poorest households. This would require an increase in bad debt of £251k.
- 6.4 As this does not reflect the full loss in government grant over this time, the Council is still providing a level of subsidy to the scheme to ease transition and reflect the impact that an increase to 39.5% would have on the poorest households in the borough as identified in the Equality Impact Assessment.
- 6.5 In recognition of the potential for increased hardship a one-off contribution is made to the Council Tax Hardship Scheme reserve of £500,000. This will be reviewed in January 2017.
- 6.6 Premium and personal allowances shown in Appendix 1 have been uprated in accordance with the social security/housing benefit rates that will apply from April 2016. The *Housing Benefit (Abolition of the Family Premium and date of claim) (Amendment) Regulations 2015* remove the family premium in the calculation of Housing Benefit from 1 May 2016. The new rules apply to both the working and pension age claimants. There are transitional provisions to protect those in receipt of HB on 30 April 2016 until a relevant change in

circumstances occurs. It is recommended that this change is replicated in the 2016/17 local council tax support scheme effective from 1st May 2016.

- 6.7 The *Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015* have been incorporated in the 2016/17 local council tax support scheme as shown at Appendix 1. Please note the backdating restriction to one month for working age claimants for housing benefit from 1 April 2016 ("good cause" must still be shown) has not been incorporated in the 2016/17 local council tax support scheme to allow the Council flexibility to deal with the delays caused by manual processing of Universal Credit. This will be incorporated for the 2017/18 scheme.
- 6.8 There are also changes to the technical administration of the scheme to enable Universal Credit as an entitling benefit in the calculation of Council Tax Support.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The Council has considered a range of alternatives to increasing the contribution rate. These are set out below:
- 7.2. Funding the shortfall by delivering savings in other services. The scale of funding reductions facing the Council means that all services are already required to deliver £18.1m in savings for 2016/17 on top of the £56m they have had to find in the last 3 years. The total cost of the Council Tax Support Scheme at £21m is equivalent to the annual cost of providing:
- Help to residents with learning difficulties (£22m)
 - Safeguarding and looking after children (£26m)
 - Protecting the local environment (waste and parks) (£18m)

If these services were required to find another £4m in savings, this would lead to significant reductions in service provision in these areas.

- 7.3. Funding the shortfall by increasing Council Tax. In the Council's medium term financial plan agreed in February 2015, the Council has already assumed a 1% increase in Council Tax to protect services from further reductions. If the Council increases Council Tax by more than 1.99%, it must hold a referendum. Therefore any further increase in council tax up to 1.99% would generate less than 25% of the cost of protecting the Council Tax Support Scheme. The Government has now announced that local authorities that provide adult social care can also raise a 2% precept on council tax to fund additional costs of supporting adult social care customers. However this precept is for adult social care, rather than the Council Tax Support Scheme.
- 7.4. Funding the shortfall from reserves. The Council's reserves can only be used once and are earmarked either for specific risks or projects to make council services more efficient and reduce costs. Reallocating reserves to provide some protection for the Council Tax Support Scheme could lead to:

- Obsolete systems not being replaced and no longer being able to meet customer demands
- New systems and equipment not being purchased aimed to improving efficiency and reducing our staffing costs
- The Council having to cut services further and at short notice to meet the cost of sudden increases in high risk services, such as safeguarding children and helping the elderly in winter

This would not address the long-term financial situation facing the authority as reserves provide only a temporary respite.

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 Equality Impact Assessment and the consultation. The recommended changes introduced in 2014 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 2016/17 budget and Council Tax to be recommended to Council on 24 February 2016.

9.2 Legal implications

- 9.2.1 Each year, after a Council Tax Reduction Scheme has been implemented, the Council must consider whether to revise or replace its scheme. Any revision or replacement to the scheme must be made by 31st January, preceding the financial year to which the revision or replacement is to have effect. If a reduction is reduced or removed the billing authority must make such transitional provision as it thinks fit.
- 9.2.2 As set out in paragraphs 4.7 and 5.8 above, as a result of welfare changes announced by the Government in Summer 2015 it was expected that there would be an increase to the cost of the local scheme, as a result of the proposed reductions in tax credits for working families. However, it was announced in the Autumn Spending Statement on 25th November 2015 that those proposals would be withdrawn.
- 9.2.3 The consultation document sets out that the council may decide to change the scheme on the basis of the consultation, and that figures could change as a result of government spending policy, future announcements on government funding and changes in the Council's tax base (properties eligible to pay council tax).

In certain circumstances, it may be reasonable and fair to re-consult where there is a fundamental change to the issue, once the consultation is underway or has closed.

- 9.2.4 The news of the reversal of the Government proposal on working families tax credits is likely to have reached a vast audience and the responses to the questions remain relevant to the impact of this change, and should not be disregarded. The broad preferences expressed by residents can be taken into account although there is always a risk of challenge in many of the decisions taken in this area.

9.3 Property Implications

None

9.4 Key Risks

- 9.4.1 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 are mitigated by assisting payers with supportive payment arrangements and by applying fairly, consistently and promptly the recovery process.
- 9.4.2 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 2016/17 based on experience to date and the impact of increase in contribution rates. 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.
- 9.4.3 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 retain financial support 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