

# MUNICIPAL YEAR 2016/2017 REPORT NO. 190

## MEETING TITLE AND DATE:

COUNCIL, 25th January 2017

## REPORT OF:

**Director of Finance, Resources and Customer Services**

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**Agenda – Part: 1**

**Item: 8**

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

**Cabinet Member consulted: Cllr Dino Lemonides**

## 1. EXECUTIVE SUMMARY

- 1.1 In January 2013 Council agreed a new local 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 the Council Tax Support Scheme for 2017/18 to increase the minimum contribution for working age households not in a protected group to 26.5%. This reflects the wider funding reductions facing the authority and maintains the principle of the scheme being self-funded. Apart from the national uprating of social security benefit rates there are no other changes to the scheme.
- 1.4 A hard copy of the revised 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 is available in the members library and will be available on line once the scheme is agreed. 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 2017/18 Council Tax and Business Rate bases (Appendix D and E).

## 2. RECOMMENDATIONS

- 2.1 That Council agrees the Local Council Tax Support Scheme for 2017/18 to provide financial support for households on low incomes in paying their Council Tax taking into account the consultation responses (Appendix C) and the Equality Impact Assessment (Appendix B).
- 2.2 For the 2017/18 scheme, the minimum contribution for working age households not in a protected group will increase from 25% to 26.5% to ensure the scheme retains the principle of a 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 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 2017/18 shall be 95,043 Band D equivalents.
- 2.4 Agree the Department for Communities and Local Government NNDR1 Business Rate base return for 2017/18 (Appendix E). **(To follow)**
- 2.5 Agree the amendment to the discretionary rate relief scheme as set out at 2.2 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 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 to 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 2017 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 pay kiosks were introduced in Edmonton, Palmers Green and Enfield Civic Centre. 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. Payment from the Council Tax Hardship Scheme this year will exceed £100,000 and is called upon over time not simply within the current financial year of the scheme.
- 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 Between 2014/15 and 2016/17 the Council's core funding (excluding schools grant and public health) reduced by 20% and between 2015/16 and 2016/17 the funding has reduced by a further 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 have been 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.

## **5. CONSULTATION ON THE 2017/18 PROPOSED SCHEME**

- 5.1 The Council consulted on the proposed Local Council Tax Support Scheme for 2016/17 and for budget purposes proposed the agreement of a two year scheme up to the 31<sup>st</sup> March 2018. The Council recommended a two year scheme on the 28<sup>th</sup> January 2016 and has since consulted on the 2017-18 budget and council tax support scheme for 2017/18 as required by the relevant legislation. This closed on the 5<sup>th</sup> and 11<sup>th</sup> January 2017 respectively.
- 5.2 The consultation asked people a series of questions summarised below and is set out in more detail in Appendix C. In summary:
- 75% 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.
  - 71% agree that the Council should increase the minimum contribution to 26.5% to avoid further council tax increases or service reductions other than already planned.
- 5.3 The Greater London Authority responded to the Council's pre consultation notification on the 29th November 2016 and noted the Council's intention to consult on reducing the maximum amount of council tax support available to claimants from 75% to 73.5% with effect from 1<sup>st</sup> April 2017 and confirmed that the GLA had no specific comments on the council's proposals at that stage.
- 5.4 A full response was provided on the 10th January which encouraged the Council to 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
  - Consider uprating allowances and applicable amounts
- 5.5 Enfield's council tax support scheme includes protection for pensioners and vulnerable groups and maintains a tapered reduction for claimants whose income increase. Allowances and applicable amounts are uprated each year as part of the local scheme agreed previously.

## **6. PROPOSED AMENDMENTS TO THE SCHEME FOR 2017/18**

- 6.1 Protected groups remain the same as the 2016/17 scheme.
- 6.2 The minimum contribution for working age households not in a protected group increases from 25% to 26.5% for 2017/18.
- 6.3 Premium and personal allowances shown in the council tax support scheme have been updated in accordance with the social security/housing benefit rates that will apply from April 2017.
- 6.7 The *Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2016* have been incorporated in the 2017/18 local council tax support scheme as shown at Appendix 1.

## **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 announced that local authorities that provide adult social care can also raise a 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 2017/18 budget and Council Tax to be recommended to Council on 28<sup>th</sup> February 2017. The council estimates that for every 1% increase in the contribution from residents on discount schemes, the council could raise £243k in total, £196k for LBE

### **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 31<sup>st</sup> January, preceding the financial year to which the revision or replacement is to have effect. The Secretary of State prescribed a default scheme which took effect from April 2013 where a billing authority failed to make a scheme on or before 31 January. This default scheme retains the criteria and allowances previously in place for CTB (Council Tax Benefit). Authorities had an incentive to avoid the imposition of a default scheme as "this will limit their ability to adjust awards to manage the funding reduction. In subsequent years, if an authority fails to adopt a new scheme, the scheme in the preceding year will remain in force," according to the DCLG document: Localising support for council tax in England: Government's response to the outcome of consultation. If a reduction is reduced or removed the billing authority must make such transitional provision as it thinks fit.

- 9.2.2 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.

### **9.3 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 2017/18 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