

# MUNICIPAL YEAR 2017/2018 REPORT NO. 137

## MEETING TITLE AND DATE:

**CABINET, 24th January 2018**  
**COUNCIL, 31<sup>st</sup> January 2018**

## REPORT OF:

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

Contact Officers: Sally Sanders/

Geoff Waterton

Key Decision 4588

**Agenda – Part: 1**

**Item: 8**

**Subject: Council Tax Support Scheme for  
2018/19 and the Council and Business  
Rate Tax Bases 2018/19**  
**Wards: All**

## 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 2018/19 maintains the current minimum contribution for working age households not in a protected group at 26.5%, introduces an income threshold for universal credit claimants and a further protected group for care leavers. There are also some administrative changes introduced to ensure the operation of the scheme after the roll out of universal credit maximises take up of council tax support and some alignment of the national uprating of social security benefit rates to the local council tax support 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 11 March of the preceding financial year to which the scheme will apply. The report also recommends the 2018/19 Council Tax and Business Rate bases (Appendix D and E).

## 2. RECOMMENDATIONS

### 2.1 That Cabinet recommends to Council:

- A. That Council agrees the Local Council Tax Support Scheme for 2018/19 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).

For the 2018/19 scheme:

- the minimum contribution for working age households not in a protected group will be maintained at 26.5%.
  - The maximum earned income for Universal Credit claimants to receive council tax support will be £1264.99 net per month for 2018/19 **(This taper was decided as no one is currently entitled to Council Tax Support where their income is more than £1264.99 per month)**
  - Care leavers up to the age of 25 will be added to the existing protected groups
  - Administrative changes set out in paragraph 6.3 be incorporated into the scheme to improve service delivery
- B. 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 2018/19 shall be 96,005 Band D equivalents.
- C. Agree the Department for Communities and Local Government NNDR1 Business Rate base return for 2018/19 (Appendix E).
- D. Agree the amendment to the discretionary rate relief scheme as set out at 2.2 of Appendix E
- E. Delegate authority to the Executive Director of Finance, Resources and Customer Services, in liaison with the Cabinet Member for Finance and Efficiency, to agree minor amendments to the 2017-19 scheme and to agree the 2019-21 scheme at the appropriate time.

### **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 During 2017/18 the Government has included Enfield Council in the roll out of Universal Credit full service. The recommended council tax support scheme for 2018/19 takes into account the effect of the roll out of Universal Credit and ensures the scheme remains affordable while at the same time seeks to protect vulnerable council taxpayers.
- 3.5 The Council has to agree a Local Council Tax Support Scheme each year. Next year's scheme has to be agreed by 11 March 2018 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 receiving Council Tax Support were given the opportunity

to pay in weekly instalments and wherever possible the Council is seeking to agree payment arrangement plans or attachments of 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. **There is a potential increase in funds available, up to £500,000, from the Business Rates retention system which may assist with the funding of this scheme.** The Council Tax Hardship Scheme is called upon over time not simply within the current financial year of the scheme.
- 4.4 A key principle of the Council Tax Support 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 in 2013/14 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%. The maximum council tax support for working age claimants not included in a protected group is 26.5%. It is not proposed to change this percentage for 2018/19 as it is estimated that the overall cost of the scheme will reduce due to the above inflation increase in pensions and a projected reduction in the overall numbers claiming.

## 5. CONSULTATION ON THE 2018/19 PROPOSED SCHEME

- 5.1 The Council consulted on the proposed Local Council Tax Support Scheme for 2018/19. This closed on 31<sup>st</sup> October 2017
- 5.2 The consultation asked people a series of questions summarised below and is set out in more detail in Appendix C. In summary:
- 71% 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.

- 57% agree that Single Care leavers under 25 should be a new protected group
- 62% agree that the Council should have a simpler claims and administration process for those receiving Universal Credit
- 53% agree that people receiving Universal Credit should not be awarded Council Tax Support if their Earned income is £1265 or more per month

5.3 The Greater London Authority responded to the Council's pre consultation notification on the 31<sup>st</sup> October 2017. In summary the GLA is happy to endorse the broad approach taken by Enfield and commented that some of the changes would bring the Borough's Council Tax Support scheme into line with several other schemes in London and would help to ensure that the increased cost of the scheme does not have to be passed on to more vulnerable residents.

5.4 The GLA 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; and
- Local schemes should support work incentives and, in particular, avoid disincentives to move into work

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. Working claimants receiving Universal Credit are included within next year's council tax support scheme.

## **6. PROPOSED AMENDMENTS TO THE SCHEME FOR 2018/19**

6.1 Protected groups remain the same as the 2017/18 scheme except for the additional protected category for care leavers aged under 25 years old which is recommended for the 2018/19 scheme.

6.2 The minimum contribution for working age households not in a protected group will remain at 26.5% for 2018/19.

6.3 Premium and personal allowances shown in the council tax support scheme have been uprated in accordance with the social security/housing benefit rates that will apply from April 2018 and aligned with Department of Work and Pension categories to ensure consistency except where specifically changed by the council (e.g. high rate non dependant deduction). In addition backdating of claims will be extended to up to 12 months from the date of claim where good cause can be demonstrated and council tax support will be allowed to be paid on two homes in cases of domestic violence.

- 6.7 The *Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2017/1305* have been incorporated in the 2018/19 local council tax support scheme.

## **7. ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 The Council has considered the alternative option of maintaining the current council tax support scheme for Universal Credit cases but as Universal Credit includes working tax credit the range of income levels within the Universal Credit award would increase the cost of the council tax support scheme considerably.

## **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 and the further extension of care leavers under the Equality Impact Assessment support the Council's aims to build strong, stable communities and are recommended to be continued next year.

## **9. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **9.1 Financial implications**

The agreed Council and Business Rate Tax Bases will be built into the 2018/19 budget and Council Tax to be recommended to Council on 21st February 2018. The cost of the Council Tax Support Scheme for 2018/19 is expected to be broadly in line with the cost of last year's scheme.

### **9.2 Legal implications**

- 9.2.1 The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit (CTB). Provisions for the localisation of Council Tax support were included in the Local Government Finance Act 2012. Since 1 April 2013 local authorities in England have been responsible for administering their own Council Tax Reduction Schemes subject to the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885). Some authorities chose to adopt the default scheme provided for in the Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) Regulations 2012 (SI 2012/2886). Each year, after a Council Tax Reduction Scheme (Council Tax Support 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 11 March, preceding the financial year in 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 can revise or replace their schemes in preparation for the start of each financial year. They may not make in-year revisions. Transitional arrangements must be put in place where revisions result in a reduction or removal of assistance for a class or classes of persons.

9.2.2 If any changes are suggested to the Council Tax Support Scheme the Council must run a consultation with stakeholders including residents. The Council has run a consultation on the proposed Council Tax Support Scheme for 2018/2019

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 Council Tax base( Appendix D) has been written in accordance with The Local Authorities ( Calculation of Council Tax Base) Regulations 1992 (S.I. 1992 No. 612) which sets out the calculations which are required by the Local Government Finance Act 1992 as amended by the Local Government Act 2003 .

9.2.5 So far as the Business Rate discretionary relief scheme ( Appendix E) is concerned the government is not changing the legislation around transitional relief ( The Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016). Instead the government will, in line with the eligibility criteria for the scheme, reimburse billing authorities that use their discretionary relief powers (under S47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011) to grant relief.

### **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 Universal Credit 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 2018/19 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. **The cost of the 18/19 scheme will be monitored, paying particular attention to those on Universal Credit with a net Earned Income up to £1264.99 per month. Options to introduce more earned income bands, for those getting Universal Credit, to attract different maximum contribution rates will be considered in the 19/20 scheme.**

- 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 Support 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 – Summary of Technical Changes to the Council Tax Support Scheme since 2013

Appendix B – Equalities Impact Assessment

Appendix C – Consultation results

Appendix D – Council tax base

Appendix E – Business rate base (TO FOLLOW)