



REPORT OF:	BILL PALLETT
AUTHOR:	Simon Rosser
TELEPHONE:	01737 276478
E-MAIL:	Simon.rosser@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	12 November 2015
EXECUTIVE MEMBER:	COUNCILLOR MRS R RENTON

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	COUNCIL TAX REDUCTION SCHEME FOR 2016/17
-----------------	---

RECOMMENDATIONS:

- (i) the local Council Tax Reduction scheme for 2016/17 as outlined in this report be adopted; and
- (ii) It be noted that the scheme being recommended is a version of the scheme introduced in 2013/14 with some changes to reflect increases in the cost of living in line with other benefits and allowances.

REASONS FOR RECOMMENDATIONS:

The initial local scheme was introduced from 2013/14 and has been effective in reducing the level of support awarded whilst ensuring that those residents who are most vulnerable are not penalised unfairly.

Those residents who are disabled or provide care for other disabled people are exempt from any reductions in their support compared to the former national scheme, and will receive maximum support based on the Council Tax Benefit scheme which was abolished in 2013.

Council Tax collection rates from residents receiving support have been positive, and processes are in place to recover arrears from residents who choose not to pay.

EXECUTIVE SUMMARY:

Councils must agree local Council Tax reduction schemes annually following the abolition of the national Council Tax Benefit scheme in 2013. In determining a local scheme, funding to local authorities from central government is cut by a value of 10% of the previous level of benefit being paid. Local authorities have the option of reducing the level of support to recoup the funding reduction, or to maintain higher levels of support financing the scheme from their own resources.

Schemes must be approved by full Council following a period of consultation. This report confirms the current arrangements are being recommended to continue in 2015/16, and

outlines the alternatives. The changes to the former national scheme, which is effectively still in place for residents of pension age, are detailed in the report.

The scheme provides a reduction in support for some working age claimants, but not to the extent of the full 10% funding cut (approx. £700K per year). The scheme also provides protection for vulnerable residents and provides work incentives for people on low earnings.

Recommendation (i) is subject to approval by Full Council. Executive can agree recommendation (ii)

STATUTORY POWERS

1. Section 13A(2) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) requires billing authorities to make a reduction scheme for persons in financial need or persons in classes consisting of persons who the authority considers to be, in general, in financial need.
2. For the years 2013/14, 2014/14 and 2015/16 the Council approved schemes known as the Reigate and Banstead Council Tax Support Scheme.
3. Section 13A(1)(c) of the Local Government Finance Act 1992 (as amended by the 2012 Act) gives billing authorities the power to reduce a liability to an extent that is seen fit, i.e. discretionary powers.

BACKGROUND

4. Council Tax Benefit was a national benefit payable to households on low income, pensions or benefits. This scheme incorporated both working age and pensionable households. From April 2013 local authorities have been required to set their own local scheme for working age households only. Pensioners are covered by new national regulations, and receive the same support as under the previous national scheme.
5. Local authorities must agree a local scheme annually, and this must be agreed by Full Council by 31st January of the calendar year in which the scheme will commence.
6. Options available are –
 - (i) Continue to pay increased levels of support as under the former national scheme, and to finance this from other parts of the Council; or
 - (ii) To fully pass on the funding cut to people claiming support, which could see some residents paying up to 20% extra in Council Tax; or
 - (iii) To make some changes to the support available, ensuring that vulnerable residents are protected, and partially funding the scheme from Council funds.

KEY INFORMATION

Current Council Tax Reduction Scheme

7. The Council's schemes since 2013/14 have been based on the Council Tax Reductions (Default Scheme)(England) Regulations 2012 (the "default scheme"), but with certain changes. The scheme is partially funded by Reigate & Banstead BC,

Surrey County Council and Surrey Police, and some residents have to pay increased Council Tax or Council Tax for the first time.

8. The initial local scheme was approved by Full Council on 13th December 2012, and versions of the schemes were approved in the following two years. The changes to the default scheme to create the local scheme are detailed below. There is protection for certain people from any reduction in support, and these people receive the same level of support they received under the Council Tax Benefit scheme. The protected group includes those claimants who are disabled or have disabled children, or where they are providing care for other disabled people and receiving Carers Allowance.
9. The changes to the 2013/14 default scheme which are included in the local scheme and apply to non-protected households are –
 - (i) Reduction of the maximum Council Tax liability from 100% to 90%. This means that all non-protected claimants are required to pay at least 10% of their Council Tax bill.
 - (ii) The abolition of Second Adult Rebate, which is where the liable person can receive support on the basis that another adult in the household is on a low income or receiving benefits. Second Adult Rebate does still exist for protected households.
 - (iii) Reduction of the maximum capital limit for a household from £16,000 to £10,000. If capital or savings exceed this limit then no support is payable.
 - (iv) Setting a maximum level of support payable to a Band E level, and subject to a further 10% reduction. Claimants who live in homes in Bands F to H are still able to claim support but only based on the Council Tax for a Band E property.
 - (v) Introduction of a minimum award of £5 per week. Those claimants who would otherwise qualify for less than £5 per week receive no support under the local scheme.
 - (vi) An increase in the earnings disregards of £15 per week in addition to those already in place for single claimants, couples and lone parents. This has the effect of offsetting other reductions under the local scheme and provides a work incentive.
 - (vii) A reduction in the period of backdating from six months to three months, where a person is late in making a new application, providing there is a good reason for the delay.
 - (viii) Disregarding income from war pensions, war disablement pensions to be fully disregarded as income, for veterans and their families. This local disregard applies to all households.
10. The local scheme for 2016/17 will include increases to allowances and premiums to reflect cost of living increases. Premiums and allowances will be increased in line with those increases applied to the national Housing Benefit scheme, and these are normally published around January each year.

Collection Rates

11. In 2013/14 the overall Council Tax collection rate was 98.4%, but the collection rate for households receiving Council Tax Support, both partial and fully, was 82%. Over time more Council Tax is collected from households receiving support, and at the end

of 2014/15 the collection rate for the initial year's liability had increased from 82% to 88%.

12. The overall collection rate in 2014/15 was 98.6%, with those receiving support paying 83% of their liability, showing consistency with the previous year. The arrears continue to be collected into 2015/16.
13. The sums collectable from households receiving support can be low, and although the collect rate for this group is less than the overall rate, the arrears amount to around £300,000. It has been shown that these smaller amounts are harder to collect in some cases, but over time they can be collected.

OPTIONS

14. To adopt the current scheme for a fourth consecutive year. **This is the recommended option.** This would support the principle that it is reasonable to expect all residents to make a contribution towards their Council Tax and the services that it covers, but recognising that there should be protection for vulnerable residents. The scheme also supports the principle that residents should receive additional support where they are in employment, and ensures that there is a safety net for households that are experiencing financial hardship through discretionary powers.
15. To further reduce the level of support. **This is not the recommended option**, as it would close the funding gap but would likely lead to more households experiencing financial hardship and affect recovery rates. This is especially likely to cause further hardship next year with many families being affected by further cuts in welfare spending.
16. To adopt the criteria of the former Council Tax Benefit scheme and increase the level of support payable. **This is not the recommended option**, as this would have a financial impact on the Council and preceptors and could affect other services affected provided by the Council.

LEGAL IMPLICATIONS

17. The Council is legally required to have a local reduction scheme in place by 31 January 2016, and by not doing so the Council would be open to legal challenge.
18. Specific appeals against parts of the local scheme by tax payers are dealt with under a formal process through the Valuations Office Agency.

FINANCIAL IMPLICATIONS

19. The government provides a grant for the Council Tax Support scheme, which is the equivalent of around 90% of the expenditure which of the former national Council Tax Benefit scheme. From 2014/15 the grant has been contained within the revenue support grant and is not separately identifiable.
20. Under the former Council Tax Benefit scheme, the annual expenditure was around £7m, and this was reclaimed by the Council through government subsidy. A 10% reduction would be £700K, apportioned appropriately between RBBC, Surrey County Council and Surrey Police.
21. Precepts applied to the Council Tax are – Surrey County Council (74%), Surrey Police (13%) and Reigate & Banstead Borough Council (13%).

EQUALITIES IMPLICATIONS

22. A full Equalities Impact Assessment was carried out in 2012, both before and after the consultation process.
23. No equality issues were identified as a result of the assessment, and the equalities data held on the benefits system suggest that there is no significant change in the make-up of claimants, in terms of ethnicity, gender or disability.

RISK MANAGEMENT CONSIDERATIONS

24. There is a financial risk if claimants are charged Council Tax which they are genuinely unable to pay. This will increase arrears, which would have an impact on the Council's cash-flow. However, some of the sums involved are relatively small which minimises this risk. The Council's Revenues & Benefits service has robust recovery processes in place to collect unpaid Council Tax, and officers monitor tax payers receiving Council Tax Support to ensure that those facing genuine financial hardship receive additional assistance.
25. The risk of paying people receiving too much Council Tax Support they are not entitled to, because their circumstances change, is addressed by the Benefits team in carrying out reviews, and determining which claims are at the highest risk of change. Anyone defrauding the Council will be investigated by the Council's investigation team and prosecution will be considered.
26. There is a reputational risk if a reduction scheme is not seen to be fair. A scheme deemed to be unfair could cause the Council negative publicity and this could have an adverse impact on collection rates.

OTHER IMPLICATIONS

27. Since the start of local Council Tax reduction schemes there has been an increase in the number of Freedom of Information requests received, although this increase has been seen on a national level.

CONSULTATION

28. A public consultation was carried out for six weeks during August and September 2015. The overall response was supportive of the Council's plans for the scheme for 2016/17. Letters were sent to both Surrey County Council and Surrey Police on the proposal to continue with the scheme, and both responded showing support for the Council's scheme.

POLICY FRAMEWORK

29. The scheme supports the 5 Year Plan priority of encouraging and supporting vulnerable families into employment by including work incentives, and addresses the impacts of welfare reform by limiting what low-income families must pay towards their Council Tax.

Background Papers:

1. Reigate & Banstead Council Tax Support Scheme 2015/16
http://www.reigate-banstead.gov.uk/info/20049/changes_to_benefits/486/recent_changes_to_housing_benefit_and_support_for_council_tax