

Report to: Cabinet
Council

Date of Meeting: 15th January 2015
22nd January 2015

Subject: Local Council Tax Reduction Scheme 2015-2016 and updating the Council Tax Base 2015/16

Report of: Head of Corporate Finance and ICT **Wards Affected:** All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

This report seeks to –

- A. Provide Cabinet with feedback received on the recent consultation exercise regarding the proposed amendments to the Council Tax Reduction Scheme for 2015/16.
- B. Provide recommendations following the revision and consultation to the 2014/15 Council Tax Reduction scheme.
- C. Provide Cabinet with an updated Council Tax Base for 2015/16.

The link below can be used to read the proposed draft Local Council Tax Reduction Scheme for 2015/16:

www.sefton.gov.uk/counciltaxconsultation

The report contains following Annexes listed below:

Annex A: Results of the consultation

Annex B: Council Tax Base report 2015/16

Recommendation(s)

Cabinet:

1. The Cabinet recommends that Council approves and adopts the revisions to the current Council Tax Reduction Scheme for 2015/16 summarised in paragraph 3 and to take effect from 1st April 2015.
2. That Cabinet delegates consideration of any minor changes in legislation/guidance in relation to the 2015/16 Council Tax Reduction Scheme to the Head of Corporate Finance & ICT in consultation with Cabinet Member(Performance and Corporate Services), and that any significant changes in such legislation/guidance and any further recommendations be reported to Council on 22nd January 2015.
3. That Cabinet delegate to Head of Corporate Finance & ICT consideration and implementation of any minor textual changes to the Council Tax Reduction Scheme for 2015/16.
4. That Cabinet recommends that Council approves the Council Tax Base 2015/16 as set out in Annex B.
5. The Cabinet recommends that Council approves the payment of grants to the parish

councils in 2015/16 to compensate them for the cost of the Council Tax Reduction Scheme as set out in Annex B.

Council

1. The Council approves and adopts the revisions to the current Council Tax Reduction Scheme for 2015/16 summarised in paragraph 3 and to take effect from 1st April 2015.
2. That Council approves the Council Tax Base 2015/16 as set out in Annex B.
3. The Council approves the payment of grants to the parish councils in 2015/16 to compensate them for the cost of the Council Tax Reduction Scheme as set out in Annex B.

How does the decision contribute to the Council's Corporate Objectives?

| Corporate Objective | | Positive Impact | Neutral Impact | Negative Impact |
|---------------------|---|-----------------|----------------|-----------------|
| 1 | Creating a Learning Community | | ✓ | |
| 2 | Jobs and Prosperity | | ✓ | |
| 3 | Environmental Sustainability | | ✓ | |
| 4 | Health and Well-Being | | | ✓ |
| 5 | Children and Young People | | | ✓ |
| 6 | Creating Safe Communities | | ✓ | |
| 7 | Creating Inclusive Communities | | ✓ | |
| 8 | Improving the Quality of Council Services and Strengthening Local Democracy | | ✓ | |

Reasons for the Recommendations:

Local Council Tax Reduction Scheme

Each financial year the Council must consider whether to revise or replace its Local Council Tax Reduction Scheme. The Council must approve and adopt the 2015/16 Council Tax Reduction scheme by the 31st January 2015 to take effect from 1st April 2015.

Any decision to revise or replace the scheme would require compliance with statutory provisions in accordance with The Local Government Finance Act 2012 (Chapter 17), schedule 4.

The proposed revisions to the Council Tax Reduction Scheme ensure that those householders on the lowest incomes are not adversely affected by the Government annual uprating of state benefits and the introduction of Universal Credit.

Council Tax Base

In accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 1992, as amended, the Council is required to set a tax base for both Sefton Council and for each Parish Area for 2015/2016.

What will it cost and how will it be financed?

(A) Revenue Costs

Local Council Tax Reduction Scheme: The proposal to uprate the amounts used to calculate the level of support in the 2015/16 local Council Tax Reduction Scheme is expected to be cost neutral. As the uprating will be mainly in line with the Government's

proposed changes to pensions and benefits it is not expected to increase the level of claimants eligible for council tax support in 2015/16.

Council Tax Base: The Council's tax base has increased by 1,327 Band D equivalent properties. This will increase Sefton's share of forecast council tax income by £1,714,338 in 2015/16, before allowing for any increase in Sefton's Band D Tax rate. This is £54,259 higher than assumed in the Medium Term Financial Plan for 2015/16 presented to Cabinet on 27 November 2014.

Parish Funding: The proposed grant funding for Parish Areas to compensate them for the cost of the Council Tax Reduction Scheme is £93,492 for 2015/16. This is lower than the amount provided in 2014/15 and represents a saving to the Council of £24,626.

| Comparison with Medium Term Financial Plan (MTFP) | 2015/16 MTFP £000 | 2015/16 Proposed £000 | Change £000 |
|---|-------------------|-----------------------|-------------|
| Council Tax Income | -101,125 | -101,179 | -54 |
| Parish Funding | 118 | 93 | -25 |
| Total | -101,007 | -101,086 | -79 |

(B) Capital Costs

No capital costs are planned for this change in system.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal comments

By Section 5 of Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) for each financial year each billing authority must

- a. Consider whether to revise its Council Tax Reduction Scheme or to replace it with another scheme
- b. Make any revision to its scheme, or any replacement scheme, no later than 31st January in the financial year preceding that for which the revision or replacement is to have effect.
- c. If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of person is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- d. Before revising its scheme or making a replacement scheme, an authority must:
 - i. Consult any major precepting authority which has power to issue a precept to it.
 - ii. Publish a draft scheme in such manner as it thinks fit and

Consult other such persons as it considers are likely to have an interest in the operation of the scheme.

Human Resources: None

Equality

1. No Equality Implication at this time
2. Equality Implications identified and mitigated
3. Equality Implication identified and risk remains

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| |
| Y |
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What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT is the author of the report (FD3342) and confirms that the increase in council tax income and the proposed reduction of support to Parish Councils in respect of the council tax reduction scheme will result in a net cost saving of approximately £79,000.

The Head of Corporate Legal Services (LD2634/14) have been consulted and her comments have been incorporated into the report.

Are there any other options available for consideration?

Not to revise the 2015/16 Council Tax Reduction Scheme in line with Department for Work and Pensions annual uprating for state benefits, applicable amounts and personal allowances. This would mean non-pensioner claimants would see a reduction in the amount of means-tested Council Tax Reduction and will not match the applicable amounts and personal allowances for Housing Benefit and Universal Credit calculation.

To have a more generous Local Council tax Reduction Scheme. This would result in reduced income to the Council and would require further budget savings against services in order to achieve a balanced budget.

The Council could determine to reduce the support to Parish Councils in 2016/17 or a future year which would provide savings to the Council of £94k p.a. A majority of Parish Councils have already met to consider their 2015/16 Budget and precept requirements which would make a change in 2015/16 more difficult.

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Cabinet decision and Council recommendation 22nd January 2015.

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Background Papers: None

1. Introduction/Background

1.1 Local Council Tax Reduction Scheme

- 1.1.1. Local Council Tax Reduction replaced Council Tax Benefit (CTB) with effect from the 1 April 2013. Pensioner claimants have been protected from adverse changes as required by the Government but, for people of working age, the Council adopted a scheme which has the following key elements:
- 1.1.2. The calculation of reduction is based on 80% of the Council Tax bill, rather than 100%. This means all non-pensioner claimants will have to pay a minimum of 20% of the council tax due.
- 1.1.3. The capital/savings limit is £6,000, so those with capital exceeding £6,000 are required to make full payment of their council tax liability.
- 1.1.4. Council tax second adult rebate for non-pensioner claimants was removed. Claimants on low income can apply for Council Tax Reduction.
- 1.1.5. Non-dependant deductions – flat rate deductions for working age claimants were introduced at £2 and £5. The reduced charges for non-dependants supported households on low incomes by providing incentive to non-dependants to contribute to the council tax bill.
- 1.1.6. An Exceptional Hardship fund was introduced to support vulnerable Council Tax Reduction Scheme claimants. Claimants can apply when their individual circumstances mean that their council tax liability is causing them exceptional hardship.
- 1.1.7. For each financial year, the Council must consider whether to revise its scheme or replace it with another scheme. The Council reviewed the 2013/14 scheme and approved a small number of revisions for the 2014/15 scheme to ensure that those householders on the lowest incomes were not adversely affected by the Government annual uprating of state benefits.
- 1.1.8. The scheme must be approved and adopted no later than the 31st January in the preceding financial year.

1.2 Setting the Council Tax Base

- 1.2.1. The Council is required to calculate its own tax base along with a tax base for each parish council within its area and have them approved by 31 January 2015.
- 1.2.2. The tax base is normally reported to Cabinet for approval. However, the tax base calculation is affected by the changes to the council tax reduction scheme proposed in this report. This needs to be agreed before the tax base can be formally approved. As there is no Cabinet meeting scheduled for the end of January 2015 it has been necessary to add the tax base to this report in order to comply with statutory regulations.
- 1.2.3. The proposed tax base for Sefton Council and each Parish Area for 2015/2016 is set out in Annex B of this report along with a brief explanation of the reason for changes from the previous year.

1.3 Compensating Parish Areas for Loss of Council Tax Income

- 1.3.1 The council tax income that parish areas can generate was reduced in April 2013 as a result of the introduction of the local council tax support scheme. The Government built funding into Sefton's Settlement Funding Assessment in order to provide parish areas with compensation for this loss of income. How much, if any of this funding is to be passed on has been left to Council's to decide in discussion with the parishes. It is proposed to pay parish areas a total of £93,492 in 2015/16 to bridge this funding gap. The amount to be paid to each parish is set out in Annex B of this report.

2. Council Tax Reduction Scheme 2015/16 - Feedback on Consultation

- 2.1 At the 9th October 2014 meeting of the Cabinet, The Head of Corporate Finance & ICT was authorised to publish and consult upon the draft revised proposed Council Tax Reduction Scheme for 2015/16. It was agreed that the outcome of the consultation would be reported to this meeting – this is attached at Annex A.
- 2.2 The consultation commenced on the 10th October 2014 and ended on 14th November 2014, 12.00 noon.
- 2.3 A summary of the consultation is as follows:

- a) 39 responses to the online survey have been received and summary of responses below to the questions:

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|---|-----------|--------------|
| Question 1 – Annual uprating (for Non Pensioners) personal allowances and applicable amounts in accordance with the DWP. This will ensure the scheme is kept up to date and not disadvantage applicants whose other benefits increase annually. | 31 agreed | 8 disagreed |
| Question 2 – Non- dependant charges. Earned income levels are kept in line with the pensioner scheme set by the Government. (This will allow for small increases in income not to affect deductions made. | 32 agreed | 7 disagreed |
| Question 3 – Non- Dependant charges. Treatment of Universal Credit (non-pensioners) No charge should be made for a non-dependant whose award of Universal Credit is calculated on the basis that he or she does not have any earned income. This will ensure that Council Tax Reduction scheme claimants are not disadvantaged by the award of Universal Credit for non-dependants in their households. | 30 agreed | 9 disagreed |
| Question 4 – Automatically up rate each year without the need for further consultation for non-pensioners (unless there are other changes to be made to the 2015/16 scheme. | 23 agreed | 16 disagreed |

- b) Letters were issued to the precepting authorities – Merseyside Police and Merseyside Fire and Rescue Service.

- c) Letters were issued to stakeholders inviting them to take part in the consultation survey.
- d) Comments received indicate there is no issue regarding the proposal to uprate working age personal allowances in line with Department for Work and Pensions uprating of income-related social security benefits. Comments received are also detailed in Annex B.
- e) As part of the consultation, equalities questions were asked in connection to gender, age, disability and ethnicity. The consultation responses do not indicate any disproportional impact.

3. The following are the Proposed revisions to 2015/16 Local Council Tax Reduction Scheme

Annual Uprating (Non- Pensioners) – Each year state benefits for working age people are increased by the Government. These increases, because they would result in higher income for anyone receiving benefits, would subsequently result in a reduction in the amount of means tested Council Tax Reduction received unless the applicable amounts and personal allowances are also increased. The increase is referred to as uprating and a small revision is required to the existing scheme from 2015/16.

- 3.1.2 It is proposed to uprate state benefits for non-pensioner claimants in line with Department for Work & Pensions (DWP) uprating which will be confirmed in the 'Welfare Benefits Uprating Act later this year. In addition to uprate the applicable amounts and personal allowances using DWP rates. This will ensure non-pensioner claimants are not adversely affected by annual uprating.
- 3.1.3 **Non- dependant Charges (Non- Pensioners)** - In calculating the earnings in respect of non-dependants the Council propose that the level will be increased in line with the Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 as amended. This will ensure that the level of earned income will increase annually in line with the Government scheme for pension age claimants.
- 3.1.4 For clarity, any non-dependant who receives an award of Universal Credit where their award of Universal credit includes earned income then a deduction of either £2.00 or £5.00 will be made as appropriate.
- 3.1.5 Where the award of Universal Credit is calculated on the basis that the non-dependant does not have any earned income no deduction will be made.
- 8.3. See www.sefton.gov.uk/counciltaxconsultation for proposed 2015/16 Sefton Local Council Tax Reduction Draft Scheme. The proposed 2015/16 Scheme now includes more detailed information than the 2014/15 scheme; this does not alter or amend the terms of the scheme itself.
- 8.4 The local Council Tax Reduction draft scheme 2015/16 will be updated further to reflect the changes made by Government legislation. These changes are due in later this year.
- 8.5 If the Council adopts these changes, which will automatically adjust in future years in line with Government legislation (DCLG and DWP rates), the Council will not be required to reconsult each year to fulfil these changes. Consultation will continue where the Scheme changes for other reasons and to be determined by the Council.