Cabinet Report

Report of Head of Finance

Author: Ben Watson

Telephone: 01491 823834

Textphone: 18001 01491 823834

E-mail: ben.watson@southandvale.gov.uk

Cabinet member responsible: David Dodds

Tel: 01844 212891

E-mail: david.dodds@southoxon.gov.uk

To: CABINET

DATE: 17 October 2013

Council tax reduction scheme 2014/15 onwards

Recommendations

that Cabinet recommends to Council:

(a) to adopt the council tax reduction scheme commencing 1 April 2014, until such time as members wish to change the scheme, which will be the same scheme as adopted for 2013/14, except for the addition of recommendation (b)

(b) personal allowances and non-dependent deductions for working age claimants will increase by one per cent on 1 April each year, commencing 1 April 2014

Purpose of Report

1. The purpose of this report is to enable the council to adopt a council tax reduction scheme for the financial year 2014/15 and onwards.

Corporate Objectives

2. The council is required by statute to implement a scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective "effective management of resources" by introducing the scheme we will achieve the corporate priorities of providing value for money services that meet the need of our residents and service users and, provide equality of access to our services.

Background

3. Prior to April 2013 there was a national scheme of financial assistance called “council tax benefit” which was available to taxpayers on low incomes to help them meet their council tax liability. This scheme had been in operation since 1993.

4. Following changes introduced by the Local Government Finance Act 2012, this council adopted its own local “council tax reduction scheme” to take effect from 1 April 2013. This was against a backdrop of reduced Government funding of approximately ten per cent compared to the funding given for the previous council tax benefit scheme.

5. In common with the other district councils in Oxfordshire, the local scheme more or less mirrored the previous council tax benefit scheme which meant that no residents saw a reduction in their entitlement.

6. The ten per cent reduction in Government funding was counteracted by our implementation of technical reforms to the council tax system whereby more council tax was charged on empty properties and second homes.

7. The final scheme that was adopted was for one year only therefore the council is required to formally adopt a scheme for 2014/15. This formal adoption must be undertaken by full Council before 31 January 2014.

Proposal for 2014/15 onwards

8. It is proposed that the scheme adopted for 2014/15 shall be the same as the scheme that was adopted for 2013/14. The reasons for this are it:

    - provides minimal disruption for the council and residents
    - is predictable (in that it is based on the previous national scheme) and involves no additional new risk
    - protects income for vulnerable families at a time when other welfare reforms are taking place e.g. spare room subsidy, benefit cap, personal independence payments, universal credit
    - does not create any new administrative costs
    - should not affect council tax collection rates and bad debt provisions or, revision of contractual (Capita’s) collection targets
    - does not disproportionately affect any particular group – disabled persons, single parents, etc
    - allows more time for the council to monitor the effects of other benefit-cutting schemes around the country
    - presents a very low risk of legal challenge

9. It is further proposed that the scheme be adopted open ended so that it will continue to apply for future financial years until such time as the council formally changes it. This avoids annual administration.

10. One proposed change to be made to the scheme for 2014/15 onwards will be to introduce a clause for **"uprating"**. This is the process whereby the "personal allowances" and "non-dependent deductions" used for calculating levels of entitlement are increased each year, normally in line with inflation, but sometimes by other amounts (such as the current one per cent increase introduced by the Chancellor in his December 2012 autumn statement).

11. Whilst the council is seeing ongoing reductions in Government funding each year, and at a time when increases in national welfare benefits are being capped at below inflation rates, it would not seem reasonable to uprate the council's local scheme by inflation. **It is therefore proposed that personal allowances and non-dependent deductions be uprated by one per cent each year, starting in 2014/15**.

12. If the council chose not to uprate these allowances, residents would effectively have a cut in their entitlement each year as the cost of living increases (although it is acknowledged that a one per cent uprating is still less than inflation). Also, if non-dependent deductions (e.g. adult children - who are expected to contribute to housing costs) were not uprated, the general taxpayers of the district would pick up the cost of increasing CTRS costs rather than the non- dependents themselves.

Alternative option

13. For the 2013/14 schemes the Government offered additional "transitional funding" to councils who did not reduce entitlement by more than 8.5 per cent. Therefore, it could be argued that a reduction of this amount in 2014/15 would be deemed to be acceptable to the Government.

14. Initial modelling work undertaken has shown that reducing entitlement by **8.5 per cent** would be likely to save the council approximately **£20,000**. However, officers believe that the costs of recovering the additional bills raised by reducing entitlement are likely to also be in the region of £20,000. Because of this, and the reasons listed in paragraph eight above, officers recommend not pursuing this option.

Financial Implications

15. As stated above, the costs of the council tax reduction scheme are broadly neutral following changes made to the amounts of council tax charged for empty properties and second homes. By retaining the existing council tax reduction scheme no new financial implications will arise, but neither are we taking the opportunity to generate additional council tax by reducing recipients' discount.

16. The Government has also awarded further "new burdens" grant for 2013/14 to recognise the work required to adopt a local council tax reduction scheme. This totals **£46,052**. By not changing the scheme it is unlikely that the council will spend this grant and it will be transferred to reserves.

Legal Implications

17. The current council tax reduction scheme was adopted for 2013/14 only. There is a statutory duty to adopt a 2014/15 scheme by 31 January 2014. If this is not adhered to the Government's default scheme will be imposed on the council.

Risks

18. By maintaining existing levels of support it is not anticipated that there will be any legal challenge to the council's scheme. Therefore, the only risk is that a scheme is not adopted for 2014/15 and the Government's default scheme is imposed. This would leave the council in the position of not being able to determine its own rules and take into account local circumstances and needs.

19. The council continues to face the financial risk of receiving less council tax income than budgeted due to a significant increase in eligible recipients of the discount. This risk is not increased by the recommendation to maintain the current scheme. The risk could be reduced if the scheme were changed to make fewer residents eligible for the discount, although this would be dependent on the council collecting the new/increased liabilities and considering the impact on vulnerable groups that would result from the change in eligibility.

Equality Implications

20. The scheme takes account of the public sector equality duties through ensuring it does not disproportionately affect any particular group. It protects income for vulnerable families through adopting the 2013/14 scheme and introducing the clause to 'uprate' their allowances.

Conclusion

21. As stated above, and for the reasons given, the council must adopt a local council tax reduction scheme for 2014/15 by 31 January 2014 and it is proposed that this (and for future years) be based on the current 2013/14 scheme, with the addition of a clause for uprating of allowances and non-dependent deductions.