

CABINET

Agenda Item: 7

Ward: All

Portfolio: Finance

Report Author(s): Cllr. John Parham, Portfolio Holder, Finance

Meeting Date:
5 December 2016

SUBJECT: Council Tax Reduction Review and Plans for 2017/18

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	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	All	9/11/16
	Legal	Lesley Dolan	16/11/16
	Finance	Paul Deal	8/11/16
	Group Manager	n/a	
	Portfolio Holder	Cllr. John Parham	8/11/16
	Ward Member(s)	n/a	
	Summary:	Each year Central Government (DCLG) requires local authorities to approve a Policy for helping those in need to claim a reduction in council tax. Whilst central government determine the level for pension age claimants, the Policy for working age claimants is discretionary. Since this Policy started in April 2013 Mendip has retained the same Policy, currently helping 6,712 households and reducing council tax by over £5.5m. Following a review by the Council Tax Reduction Members Panel in August 2016, it is recommended that the Policy remain unchanged for 2017/18.	
Recommendation:	Cabinet is asked to approve the recommendation of “no change” in our Council Tax Reduction Policy for 2017/18.		
Direct and/or indirect impact on service delivery to our customers and communities:	Provides effective support for Mendip residents who need help paying their council tax. The Policy complements the housing benefit and Universal Credit legislative schemes, following the same principles of being a means tested scheme. In addition there is a discretionary hardship element in the Policy with a fund to top up residents that need extra help.		
Contribution to Corporate	Helps ensure our collection rate for Council tax is buoyant whilst providing a clearly understood, well promoted and easily accessible Policy for Mendip residents – both for those of pension		

Priorities:	age and those of working age who need help in reducing their council tax.
Legal Implications:	The Policy complies with the national legislation regarding help for pension age residents as set by the DCLG. The Policy offers the opportunity for any claimant to have their application / award reviewed, reconsidered and ultimately to be heard at an independent Valuation Tribunal.
Financial Implications:	<p>As part of the Policy, Members have set a budget of £35,000 per year for the hardship element. This value has never been fully spent, although due to the increase in council tax liabilities from April 2016, expenditure increased this year despite lower numbers claiming.</p> <p>Mendip receives financial support for the Policy as part of the Financial Settlement.</p> <p>It is therefore recommended that the Hardship Budget for 2017/18 is retained at £35,000 as in previous years.</p>
Impact on Service Plans:	The Policy is part of Revenues and Benefits administration and will form part of the 5 Councils administration from July 2017.
Value for Money:	A Council tax reduction policy is required to meet national standards in respect of pension age council tax payers who need help with their council tax payments. And the Policy for working age council tax payers has proven to be cost effective in trying to ensure those in most need and those who are vulnerable, meet their council tax bills, within the overall context of the Council needing to collect council tax for the services provided.
Equalities Implications:	An Equality Impact Assessment was carried out for the start of the Policy and is reviewed each year.
Risk Assessment and Adverse Impact on Corporate Actions:	None
Scrutiny Recommendation (if any)	Report to be presented to Scrutiny on 19 December 2016.

INTRODUCTION

- 1.0. This report is largely based on a report submitted to Mendip's Council Tax Reduction Member Panel on 10 August 2016.
- 1.1. That report presented a review of the Council Tax Reduction Policy and recommended no changes be implemented for 2017/18. Any changes suggested to the Policy by the Panel have to be subject to public consultation in line with statutory requirements. Whilst some options for change were discussed, the Panel agreed to recommend to Scrutiny, Cabinet and Full Council that no changes are made to the Policy for 2017/18.

BACKGROUND

- 2.0 Following the abolition of council tax benefit in April 2013 as part of the welfare reforms, local council tax billing authorities were required to implement a local council tax reduction (CTR) policy. The change in welfare legislation provided protection for pension age residents but it was up to each local council to implement a local CTR policy for working age residents.
- 2.1 The reforms meant reduced central government subsidy by approximately 10% requiring local councils to part fund CTR policies themselves. Mendip introduced a policy that was still largely based on the old council tax benefit legislative scheme but provided a maximum of 80% council tax relief for working age residents.
- 2.2 The Policy has been in place for 4 years and Mendip has seen numbers of CTR recipients reduce year-on-year, due predominantly to less demand for help as the economy generally improves. However, despite less people claiming, the amount claimed this year has increased, due to higher council tax charges being charged by all major precepting authorities from April 2016. This is particularly so for the 3,115 pension age claimants (3,597 under pension age claimants as at 31 October 2016), who can still receive CTR that is 100% of their council tax liability.

Year	Scheme	No's	Expenditure
2012/13	Council Tax Benefit	8,133	£7,153,698
2013/14	Council Tax Reduction	7,726	£6,115,004
2014/15	Council Tax Reduction	7,240	£5,797,405
2015/16	Council Tax Reduction	7,043	£5,488,721
2016/17 (as at 31 October 2016)	Council Tax Reduction	6,712	£5,568,322

- 2.3 Mendip's initial CTR Policy was developed in 2013 as a Somerset collaboration although the final policies approved by the districts have a number of individual variations (see Appendix 1).
- 2.4 The CTR Policy is very comprehensive as it has to include how Mendip can consider claims from any resident to reduce their council tax liability and so takes into account the varying demographics and income ranges in the communities.

Mendip also has to replicate the old nationally set council tax benefit scheme for pension age claimants and required the policy for working age people to have similarities with that scheme, as well as the national housing benefit scheme which many of our residents also claim.

2.5 The CTR Policy forms part of our discretionary council tax policy as approved by Members. So as well as the main CTR part, the policy also includes how Mendip will treat claims from all residents asking for a discretionary reduction in their council tax liability. For example, if a council tax payer has a fire, flood or some other reason why they feel their council tax should be reduced.

2.6 Key features of Mendip's local Policy:

- Any council tax payer can make a claim;
- The Council Tax Reduction Policy is based on comparing a council tax payers income / savings with their Government defined "needs";
- Council Tax Reduction is part of Mendip's discretionary council tax policy that allows for any resident to request relief (examples might include a flood);
- Council Tax Reduction is based on a council tax payers net liability (i.e. after any other discounts like the 25% single adult discount);
- All pension credit age claimants can still receive up to 100% relief;
- All pension credit age claimants are "protected" by national regulations that are based on the old council tax benefit system;
- The maximum relief for working age claimants is up to 80% of their net council tax liability;
- There is a hardship fund available for council tax payers that cannot meet their liability after council tax reduction has been awarded;
- There is a capital limit – any tax payer with over £16,000 in savings / capita cannot qualify;
- Compared to the old council tax benefit scheme there are incentives in built to encourage work – for example more of a person's earnings are disregarded in the calculation;
- As a rule all available income is taken into account;
- There are extra allowances for council tax payers that have dependent children and / or receive a disability benefit.

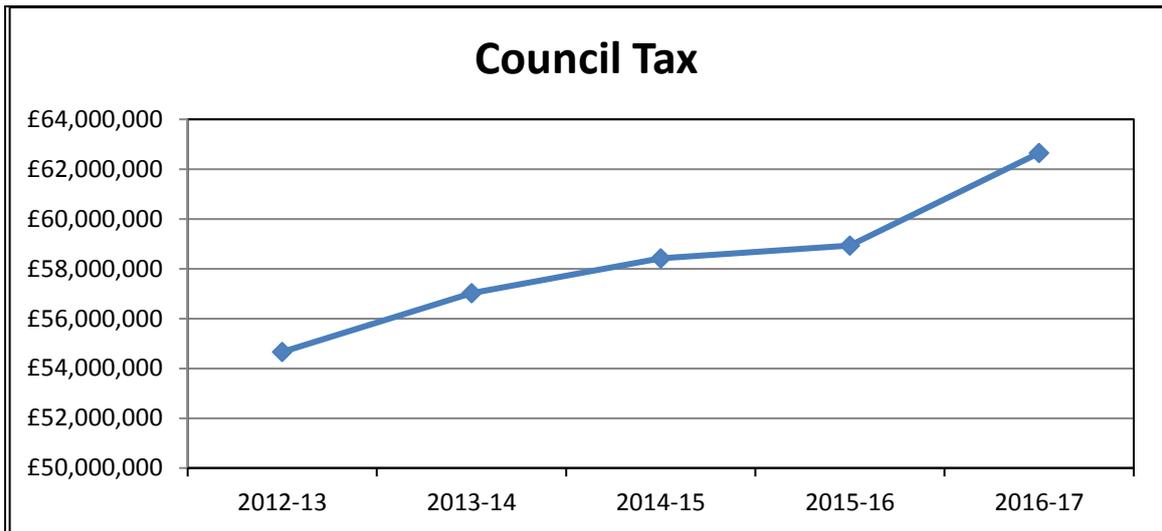
2.7 Appendix 1 gives an outline comparison of our Policy compared to our neighbours. Our complete Policy is available at:

<http://www.mendip.gov.uk/article/2277/Reducing-your-Council-Tax>

2.8 From 1 July 2017, the administration of Council Tax Reduction, as part of the Revenues and Benefits service, becomes part of the 5 Council's partnership. Over time this may mean that Mendip seeks to include parts of those local authorities' schemes in our local policy although only if this meets Mendip's local requirements, taking into account Mendip demographics, resident needs and Mendip priorities.

2.9 The final Policy also has to be approved by Cabinet (5 December 2016) before final approval by Full Council (12 December 2016).

2.10 Set against the general decrease in council tax reduction expenditure outlined in paragraph 2.4 above, there has been an increase in council tax revenue for all the precepting authorities, especially from April 2016.



2.11 In the first year of the new CTR Policy (2012/13) the collection rate fell – due almost certainly to the introduction of CTR but also along with other changes in council tax implemented from that time; e.g. the 50% premium for long term empty properties (empty for over 2 years); the ending of the second homes discount etc. However since then the collection rate has improved. Also the extent of recovery administration has fallen to some extent:

Year	Collection rate	Reminders	Summonses	Liability orders
2012/13	98.4%	15,439	4,594	3,582
2013/14	97.6%	18,110	5,937	4,866
2014/15	97.8%	16,214	5,564	4,197
2015/16	98.2%	15,411	4,825	4,408
2016/17 (as at 31 October 2016)	98.0% (target)	10,816	3,396	2,525

2.12 This area was explored in detail by a Members Task Group earlier this year and a number of recommendations were implemented – for example a new Service Level Agreement with the Enforcement Agents that gave more focus on identifying vulnerability particularly where dependent children were involved. Plus Mendip signed a “good practice protocol” with Citizens Advice and made changes so residents should be more aware, especially at an early stage of the advice / help available when they have difficulty paying their council tax. Mendip has also made changes to its Reminder Notices and Bills and the supporting information included on the website.

2.13 It should also be noted that appeals and complaints remain extremely low – there has been no official appeals regarding CTR to the independent Valuation Tribunal Office to date.

2.14 The hardship scheme (which can be used to meet the shortfall in council tax) has also been under-used despite continual promotion:

	Budget	Spent
2013-14	£35,000	£26,802
2014-15	£35,000	£25,334
2015-16	£35,000	£18,600
2016-17 (to 31 October 2016)	£35,000	£12,747

2.15 Overall it is felt that the Policy is reasonably well understood amongst Mendip residents, helped by the fact it has not changed since inception. Despite increases in the amount of council tax to be collected, Mendip's collection rate remains healthy. The number of summonses and Enforcement Agency action has decreased since 2013 and remains low compared to others. There appears no immediate pressure to reduce expenditure in this area.

2.16 It is also to be noted that Universal Credit (a new DWP / Job Centre benefit) was extended in Mendip from July 2016 and means that the majority of Mendip working age residents making a claim for job seekers allowance, income support, tax credits or housing benefit will instead claim Universal Credit. Council Tax Reduction is not part of this and is still claimed from Mendip Council.

OPTIONS CONSIDERED

3.0 For the Member Panel report in August 2016, it was recommended that no change should be made to the Policy for 2017/18. However the panel should:

- Continue with the broad principles of a Somerset CTR framework. Whilst the policies are not the same, residents and stakeholders are aware they are broadly similar schemes;
- Look to introduce further work incentives as Universal Credit becomes more prevalent in Mendip;
- Continue with the joint submission with the other Somerset districts for funding from the major precepting authorities for the cost of administering the scheme. (Mendip has been in receipt of £40K budget from major precepting authorities to help fund the scheme);
- Note that if minor changes to the Policy for 2017/18 were requested, there is a requirement to engage in public consultation. So there is a cost to implement a new policy including publicity, consultation, software changes, and staff training. Any cost is not met by any new burdens funding;
- Not consider introducing changes to the CTR Policy whilst the new 5 Councils Partnership contract is in transition;
- Note the current Policy is set within the context of increasing council tax revenue whilst the administration of the scheme is reducing as the public become accustomed to the scheme;
- Note that no CTR appeals have been received, there are very few complaints and no apparent stakeholder concerns and that the Equalities Impact Assessment has not been challenged.
- Review CTR as part of a wider review of all our discretionary policies for reducing council tax – including empty homes. Mendip are looking to consider this as part of the 5 Council's partnership, potentially harmonising policies and procedures where it meets Mendip priorities.

- Note that Mendip’s scheme fits in well within the range of policies across the country and in line with the DCLG three-year review of national policies published last year.

CONCLUSION

- 4.1 As in previous years, Mendip has been in discussion with neighbouring Somerset authorities on any options for change to the CTR Policy. Mendip also engage with stakeholders regularly to obtain feedback on the scheme and to continue to raise awareness of the hardship fund.
- 4.2 The CTR Policy in Mendip seems to be generally reasonably well understood and Mendip has little or no feedback that it is not being claimed by those who need it. Mendip’s collection of council tax has increased over the past years and that coincides with reduced number of people claiming. Overall it makes sense to retain a policy that is well known and has worked reasonably well since its introduction in April 2013.
- 4.3 That is not to say Mendip must not monitor the situation including monitoring expenditure, claimant numbers, appeals, complaints, stakeholder feedback and the views of our Somerset neighbouring authorities. With the introduction of the new 5 Councils partnership and the subsequent review of priorities, Mendip also has the opportunity to consider any parts of the partner authority’s policies. This may include reviewing not just Council Tax Reduction but other council tax discounts like single adult discount and those in respect of empty homes, including the long term empty homes premium – all of which have been in place since April 2013.
- 4.4 The other factor that should be considered is the full implementation of Universal Credit in Mendip. This occurred from 27 July 2016 and although a “test and learn” process, Mendip may want to include aspects of this national scheme (run by the DWP and local Job Centres) in our local policy. In particular any areas that would help “make work pay”.

RECOMMENDATIONS

- 5.0 Cabinet is asked to approve the recommendation of “no change” in our Council Tax Reduction Policy for 2017/18.

REASONS FOR RECOMMENDATIONS

- 6.0 The Policy has been in place since April 2013 and to date we have had little adverse feedback from stakeholders that the Policy is not meeting those who genuinely need help paying their council tax.
- 6.1 The cost of the scheme has generally fallen over time as numbers of claimants has fallen. The Hardship element has not been exceeded in any of the years but remains an effective part of the scheme to deal with hardship and exceptional individual circumstances.

Contact Officer: Steve Shrimplin
 Ext No: 215
 e-mail: steve.shrimplin@mendip.gov.uk

List of Background Papers

Appendix 1

Current policies in the Somerset Districts

Policy	Mendip	Sedgemoor	South Somerset	Taunton Deane	West Somerset
Maximum award	80%	85%	85%	80%	85%
Child maintenance income included	In full	Partial	In full	In full	In full
Higher non dependant deductions	Yes	No	Yes	Yes	Yes
No second adult rebate	Yes	No	Yes	Yes	Yes
Higher earnings disregard	Yes	No	Yes	Yes	Yes
Hardship scheme	Yes	Yes	Yes	Yes	Yes
Limit support to a council tax band level	No	Yes – band D	Yes – band C from 2016/17	Yes – band D from 2016/17	Yes – band C from 2016/17
Minimum award	No	Yes – £1	No	No	No
Include income from sub-tenants and boarders	Yes	No	No	No	Yes
Minimum “income floor” for some self employed claimants	No	No	No	Yes – from 2016/17	Yes – from 2016/17
Capital limit	£16,000	£16,000	£6,000 – from 2016/17	£6,000 – from 2016/17	£6,000 – from 2016/17