

**REPORT TO THE MEETING OF THE SCRUTINY COMMISSION
ON 27th NOVEMBER 2014**

Status: For Comment
Title: Update on the impact of changes made to Council Tax
Originator: Beverley Jolly, Corporate Director - Resources
Where from: Corporate Management Team
Where to next: Executive

Objective: To provide information on the impact resulting from the changes made to Council Tax.

1. Outcome sought from Panel

- 1.1 Consider the impact of changes made to Council Tax resulting from government legislative changes introduced from April 2013.

2 Background

- 2.1 On 8 March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years. The Act introduced a wide range of reforms impacting upon working age benefit recipients within Harborough district.

The following will briefly provide background information on the changes made.

2.2 Council Tax Reduction Scheme

- 2.2.1 One of the key changes introduced from April 2013 is that the Government ended the national Council Tax Benefit scheme and reduced by approximately 10% the amount of money local councils receive to provide full relief on Council Tax for working age people. For HDC and their preceptors this equated to approximately £350,000.
- 2.2.2 At Council on 21st January 2013 a new local scheme was agreed. The new scheme was based on a common Leicestershire and Rutland framework, developed jointly by the participating authorities. At the core of the new scheme is a benefit 'cap', which for Harborough restricts benefits for working age claimants to a maximum of 85% of their total council tax liability, which means all working age claimants would pay at least 15% of the total council tax liability. This approach was taken to ensure the new arrangements were financially stable and sustainable. A number of Leicestershire Districts initially set contribution of working age claimants at 8.5% but

have subsequently needed to increase the contributions for the 2014/15 financial year. Harborough's 15% level did not change for 2014/15

- 2.2.2 Since April 2013 all working age council tax support recipients have seen a reduction in their entitlement under the new Council Tax Reduction Scheme. They have all had to pay at least 15 per cent of the Council Tax charge even if they previously had nothing to pay.
- 2.2.3 Pensioners are not affected by these changes.
- 2.2.5 There are approximately 1,700 households who are currently affected by the changes of which 1,000 (DWP pass ported claims) had not had to pay council tax before. A pass ported claim is one which is automatically referred to the local authority to consider for payment of housing benefits or council tax support because the claimant already receives a benefit from the DWP. For these 1,700 households the average amount of council tax payable in 2014/15 is £235 per household.

2.3 Council Tax Discretionary Discount Scheme

- 2.3.1 A key part of the scheme was the setting up of a discretionary fund to support those people who will have great difficulty paying council tax. The discretionary fund is a fundamental part of the scheme; it provides districts with the flexibility to assess on a case by case basis requests for financial assistance from people who are vulnerable or suffering from severe financial hardship.
- 2.3.2 The discretionary fund also mitigates the potential increase in the number of small bad debts and impact on demand for public services more generally. The Fund has common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base.
- 2.3.3 This is a standard 'Local' scheme which all districts operate within Leicestershire as it forms part of administration/funding arrangements with all major precepting bodies (County Council, Police, Fire and the districts).

The total funding for the discretionary discount scheme in Harborough district is £35k, of which Harborough District Council funds £5k. The balance is provided by the major preceptors.

The main elements of the scheme are that:

- The discount is applicable for Council Tax only
- Applicants do not have to be in receipt of Council Tax Support
- Any award is shown as a discount on the Council Tax Demand Notice
- The amount of discount given will be subject to the applicant's individual circumstances
- The application is processed by the billing authority

2.4 Council Tax Technical Changes

2.4.1 The second key change allowed Councils to review their charges on empty properties. The January 2014 Council decision meant that in Harborough district empty properties are now be charged Council Tax after being empty for one month rather than after six months of being empty. Those under major structural repairs are charged 50% for up to one year rather than receiving 100% relief.

2.5 Financial Projections

2.5.1 The introduction of the Council Tax Reduction Scheme resulted in a change from the Council receiving a specific grant to cover the cost of Council Tax Benefits to a situation where there was the requirement for the Council to introduce a local scheme to compensate for the national reduction in support. The Government provides their reduced contributions through Revenue Support Grant (this will fall as the level of Government Funding falls). This is summarised in the below table

	2012/13	2013/14	2014/15	Comments
Income & Expenditure Account				
Council Tax Benefits paid out	3,459,188	N/A	N/A	
Council Tax Benefits Grant received	(3,459,188)	N/A	N/A	
	0	0	0	
Collection Fund				
Tax base reduction due to LCTS	N/A	2085.6	2,063.5	Council Tax Base agreed December each year
Band D equivalent (£)	168.0278	168.0278	168.0278	
Reduction in HDC CTAXs demands due to LCTS	N/A	350,439	346,725	
Compensated by amount in RSG /NDR settlement	N/A	(353,603)	(307,325)	This will decrease in proportion with reductions in RSG
		(3,164)	39,400	Due to reduction on funding received and maintained amount passported to Parishes
Council tax support discounts still given (pensioners, single person discount, working people residual support)		3,069,279	2,887,688	Forecast annual amount at 31/08/2014

2.5.2 The Government has stated its intention to reduce core funding (Revenue Support Grant (RSG) and National Non Domestic Rate Contribution (NNDR). This by implication will reduce over time the level of government funding given to mitigate against the impact of the changes. There may be the need to consider a further increase in the contribution received from working age claimants in order that this increasing 'gap' is not funded from all Council Tax Payer.

3. Points for discussion

3.1 Council Tax Additional Charge Raised

3.1.1 Up to 31st March 2013 there was a national Council Tax Benefit Scheme in place whereby there was no restriction in place for working age claimants.

3.1.2 From April 2013 two new key changes were implemented for Council Tax (Council Tax Support and changes to empty property charge criteria) and resulted in an increase in the Council Tax net collectable debit and as well as a reduction in support for working age claimants.

3.1.3 Please note: The amount due shown below is not all attributed to the changes made as this includes new properties added, changes to discount and exemptions and banding reductions.

3.1.4 The Council Tax 'net collectable debit' is the charge due after discounts and exemptions have been taken off.

Please note that: for 2014/15 this is a full year forecast based on the position as at 31st August 2014.

The table below illustrates the movement in charge when comparing the impact the changes made.

Council Tax Charge					
		CTB national scheme		Council Tax Support	
Year		2012/13		2013/14	2014/15
Net Collectable Debit		£49.753m		£50.833m	£51.535m
Council Tax Benefit		(£3.459m)			
Council Tax Support		n/a		(£3.069m)	(£2.887m)
Amount Due		£46.294m		£47.764m	£48.648m

3.2 Council Tax Collection Rates (In-year)

3.2.1 Early analysis suggests that recovery of the debt is, as expected, resource intensive. This is why continued support in the form of funding for the additional administration burden from the major precepting authorities is vital. These arrangements are reviewed on an annual basis with all 'major' precepting bodies.

3.2.2. Where payments were not received recovery action started with the issuing of reminders.

3.2.3 If the debt remained unpaid the enforcement process continued resulting in the issuing of a summons. In the first year (2013/14) to aid the transition for those

customers of working age who were having to pay council tax for the first time the summons costs were cancelled once the debt had been cleared.

3.2.3 The in-year collection performance below shows that collection rates are comparable before and after the council tax changes were introduced. This would imply that setting the 15% contribution level (higher than the other Leicestershire Districts) in 2013/14 was correct – indeed all the other Leicestershire Districts increased their rates in 2014/15.

Year	2012/13	2013/14	2014/15
	No Scheme changes	With scheme changes	
Target	98.50%	98.10%	98.30%
Out-turn	98.53%	98.57%	48.77%
			31st Aug 2014

3.3 Council Tax Discretionary Discount Scheme

3.3.1 As outlined in point 2.2 above this scheme is to support council tax payers who face financial difficulty in meeting their council tax payments. This scheme was introduced from April 2013.

3.3.2 The Revenue and Benefits Partnership includes information on the scheme with each reminder that is sent out as well as at the later stages of recovery such as liability orders and attachments of earnings/benefits. The scheme is promoted to those customers in need by working with the Citizens' Advice Bureau and with housing providers. Council staff also make customers aware of this scheme through contact with various service areas such as housing and customer services. Despite this promotion the demand for support in year 1 was lower than expected but has increased this year. See below for further information on this.

3.3.2 The information below outlines the number of applications received, accepted and the total value that has been credited to council tax payer accounts.

For 2013/14 the position was as follows:

Total number of awards: 135 successful 19 unsuccessful

Fund value: £35k

Amount awarded £8.6k

The monthly analysis for 2013/14 is shown below.

Annual Allocation	£35,188												
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Totals
Award Amount	£57	-£29	£1,183	£782	£1,311	£1,081	£1,181	£1,020	£1,221	-£215	£268	£697	£8,558
Average	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£2,932	£35,188
Variance	£2,875	£2,961	£1,749	£2,150	£1,621	£1,851	£1,751	£1,912	£1,712	£3,147	£2,664	£2,235	£26,630
Successful	2	0	19	25	18	9	14	17	8	9	9	5	135
Unsuccessful	0	1	3	9	1	3	2	0	0	0	0	0	19
<i>Total number of claims</i>	2	1	22	34	19	12	16	17	8	9	9	5	154
Case average	£28.45	£0.00	£62.26	£31.27	£72.84	£120.14	£84.36	£60.03	£152.59	-£23.85	£29.79	£139.37	£63.39

For 2014/15 the information set out below is the position as at 31st August 2014.

Total number of awards: 79 successful 3 unsuccessful

Fund value £35k

Amount awarded: £6.8k

The analysis spanning period from April through to August is shown below.

Annual Allocation	£35,188					
	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Totals
Award Amount	£1,661	£1,663	£2,324	£922	£251	£6,821
Average	£2,932	£2,932	£2,932	£2,932	£2,932	£35,188
Variance	£1,271	£1,270	£608	£2,010	£2,681	£28,367
Successful	19	21	22	12	5	79
Unsuccessful	1	1	0	0	1	3
<i>Total number of claims</i>	20	22	22	12	6	82
Case average	£87.42	£79.17	£105.66	£76.86	£50.19	£86.35

3.4 Council Tax Arrears Position

3.4.1 The impact on arrears for relevant billing years has been minimal when the figures have been compared. The table below illustrates this.

Year	Position at:			
	31st March 2012	31st March 2013	31st March 2014	31st August 2014
2011/12	£1.2m	£0.433m	£0.248m	£0.210m
2012/13		£0.834m	£0.328m	£0.269m
2013/14			£0.852m	£0.546m

- 3.4.2 The opening position for 2011/12 was £1.2m and currently is £0.210m
- 3.4.3 The opening position for 2012/13 was £0.834m (which was the year before the changes were introduced) the amount outstanding is £0.269m.
- 3.4.4 The opening position for 2013/14 was £0.852m which is up by £18k when compared with 2012/13.

3.5 Managing Operational Risk

- 3.5.1 The Council report of 21st January 2013 provided full analysis of the risks in moving from an actively managed expenditure scheme (the old Council Tax Benefit Scheme) to a Delegated Expenditure Scheme (the new Localisation of Council Tax Support Scheme).
- 3.5.2 The analysis to date shows that the scheme introduced by HDC, with a minimum payment of 15% of council tax by all working age claimants together with the discretionary discount fund, has enabled the collection rate of council tax to be maintained whilst at the same time providing support to vulnerable claimants and those most in need.
- 3.5.3 Council Tax collection in year rate and arrears are captured on TEN and reported monthly and incorporated within the service team plan.
- 3.5.2 Each year a detailed recovery timetable is put together to include liaison with the magistrate courts to agree liability order hearing dates.
- 3.5.3 Performance is reported monthly to the Revenues and Benefits Partnership management board and quarterly to the Joint Committee.
- 3.5.4 There is ongoing work through the Welfare Reform Group with other partners to identify any issues concerning changes to welfare and identify ways by which these can be mitigated.

4 Equality Impact Assessment Implications/Outcomes

- 4.1 A full equality impact assessment was considered when the scheme was adopted in January 2013..

5 Impact on Communities

- 5.1 The introduction of the Council Tax Support Scheme has had an impact on certain sections of the community, in particular those of working age and not in work and those on low incomes. The discretionary discount scheme was introduced and continues to be promoted to assist those in need.
- 5.2 These changes did not have any financial implications for pensioners who are entitled to receive full support with their Council Tax demand notice.

6 Legal Issues

- 6.1 None arising directly from this report.

7 Resource Issues

- 7.1 None arising directly from this report.

8 Consultation

- 8.1 None arising directly from this report

9 Background Papers

Council report dated 21st January 2013 – Localising Council Tax Support

Previous report(s): *not applicable*

Information Issued Under Sensitive Issue Procedure: *not applicable*