

## CITY COUNCIL - 27 JANUARY 2014

### REPORT OF THE DEPUTY LEADER

#### COUNCIL TAX SUPPORT SCHEME 2014/15

## **1**      SUMMARY

- 1.1 This report sets out a local Council Tax Reduction Scheme for the City of Nottingham which is formally called 'Council Tax Support Scheme 2014/15' (CTSS 2014/15) and seeks approval to adopt this Scheme. A copy of the proposed CTSS 2014/15 is available on the Council's website.
- 1.2 The local CTSS will impact on all working age people who are currently in receipt of Council Tax Support (CTS) and working age households who may need to claim CTS. In Nottingham, an estimated 25,600 CTS claimants are of working age.
- 1.3 The CTSS 2014/15 proposals were considered by the Executive Board on 17 December 2013.
- 1.4 **Appendix 1**, the Equality Impact Assessment (EIA) and **Appendix 2**, the consultation findings have been circulated separately.

## **2**      RECOMMENDATIONS

### **It is recommended that Council:**

- 2.1 notes the findings and outcomes from the CTSS consultation carried out with residents and other stakeholders as set out in Section 5.9-5.11 of this report and in **Appendix 2**
- 2.2 having regard to its Public Sector Equality Duty, notes the findings on equalities and other impacts arising from the proposed Council Tax Support Scheme in **Appendix 1**
- 2.3 has regard to the recommendation of the Executive Board on 17 December 2013 and adopts the proposed CTSS for the City of Nottingham for 2014/15 to take effect from 1 April 2014 and available on the Council's website.

## **3**      REASONS FOR RECOMMENDATIONS

- 3.1 Government transition funding is not available for 2014/15. Therefore NCC has had to look again at how much it can help low income working age households with their Council Tax bills for 2014/15 and is required to adopt a new CTSS for 2014/15.
- 3.2 Extensive engagement has taken place to promote the consultation to citizens, partners, NCC employees, voluntary groups and key stakeholders. A number of different channels of communication were used such as face to face events, written and online information.
- 3.3 NCC has formally consulted with the precepting authorities.
- 3.4 As a result of the consultation analysis (**Appendix 2**) and the EIA (**Appendix 1**) the following change was proposed for the 2014/15 CTSS: **to revise the 2014/15 CTSS so that the maximum amount of support that can be provided for low income, working age households is set at 80% of their council tax liability.**

3.5 This is the only proposed change to the Scheme for 2014/15 and would mean that everyone of working age would pay at least 20% towards their Council Tax bill. Low income pensioners would not be affected by the proposal.

3.6 **The 2014/15 Council Tax Support Scheme**

The Local Government Finance Act (LGFA) 2012 inserts a new Schedule 1A into the LGFA 1992 which provides that for each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.

3.7 It is recommended that in light of the consultation feedback, NCC adopts a 2014/15 CTSS that retains the key features of the 2013/14 CTSS and provides a maximum support of 80% to low income working age households.

3.8 In order to comply with Government regulations for local CTSS the 2014/15 scheme will guarantee that low income pensioners will see no change to the help they currently get with their Council Tax bills.

3.9 An EIA was undertaken for the 2014/15 CTSS (**Appendix 1**).

**4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

4.1 NCC considered a number of options based on modelling of different levels of contribution from all working age households varying from the current 8.5% - 25%. As a result of this modelling the option to retain the current claimant contribution of 8.5% was found to be unaffordable for the Council in the long-term.

**5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

5.1 The Welfare Reform Act, 2012 abolished the national Council Tax Benefit scheme from April 2013. Responsibility for providing help to people to pay their Council Tax was passed to billing authorities, which were required to draw up local CTSSs and have their schemes formally adopted by Council by 31 January 2013.

5.2 In autumn 2012, NCC conducted an 8 week formal public consultation exercise (ending 30 October) on proposals for a local CTSS for 2013/14.

5.3 In October 2012, the Government announced that an additional £100m of transitional funding was available for councils that adopted schemes that met specific Government set criteria. This announcement happened during the period of Nottingham's formal public consultation on local CTSS proposals. The transitional funding provided the opportunity for NCC to reduce the financial burden for citizens in 2013/14 by using this funding during a period of significant welfare reform.

5.4 In response to consultation feedback, NCC introduced a CTSS for one year only (2013/14) resulting in low income households of working age being able to receive help with up to 91.5% of their Council Tax bill.

5.5 In December 2012 the Executive Board approved a recommendation to support the key terms of a CTSS for 2014/15, subject to consultation and to the financial circumstances existing at the time when the Council's scheme would be reconsidered for 2014/15.

5.6 The CTSS for 2013/14 was adopted by Full Council on 28 January 2013 and took effect from 1 April 2013. The Scheme includes the following elements:

- A maximum limit on the amount of CTS that can be paid to all working age people, so that working age households which received 100% help with their Council Tax bills before April 2013 can now receive a maximum of 91.5% help
- All working age households paying at least 8.5% of their Council Tax bill in 2013/14
- No sharp reduction in support for those entering work
- No second adult rebate
- A minimum level award of 50p
- Backdating retained
- No change to the help that low income pensioners get with their Council Tax bills
- Recognition of certain sources of income/benefits which are not taken into account for the purpose of calculating the amount of help

5.7 Government stated that the transitional grant for billing authorities for 2013/14 was for one year only.

5.8 From April 2013, billing authorities were allocated a non-ring fenced Government grant to support local CTSS, rather than an amount reflecting actual expenditure. For 2013/14 NCC estimated that this grant was 18% less than the total projected expenditure on CTB in 2013/14, leaving an estimated funding gap of £6.1m. In 2014/15 the CTSS grant has been rolled in to the Revenue Support Grant (RSG). The total grant has been reduced and applying the percentage reduction in grant reduces funding for CTSS by £2.610m in 2014/15 (a reduction of £5.972m in 2015/16).

5.9 **The 2014/15 Council Tax Support Scheme Consultation**

A comprehensive 4 week formal public consultation exercise on proposals for the 2014/15 CTSS took place between 8 November and 6 December 2013. The proposal to revise the 2014/15 CTSS consists of changing the amount of support that can be provided through CTSS for low income, working age households to either 75% of their maximum council tax liability or 80% of their maximum council tax liability. The precepting authorities have also been consulted with.

5.10 Analysis of the consultation responses showed that:

- Seven out of ten 72% (164) stated that they preferred 80% support to low income households of working age.
- Three out of ten 28% (65) stated that they preferred 75% support to low income households of working age.
- Three out of four respondents (75%) stated that as a result of the changes they would have to reduce household spending on essential items such as food and heating.
- Almost one in two (45%) stated they would have to reduce spending on non-essential items such as leisure activities.
- One in three (33%) stated that they would need to borrow money to meet the additional cost.

5.11 **Key messages**

- Respondents said they were already struggling or would struggle if they had to find more money for council tax.
- There were concerns about affordability of the additional costs resulting in debt or going without essentials such as food, heating, support for their children's education etc.

- Increased worry or stress about how they would pay; affecting their health.
- Having to pay extra would reduce their quality of life by restricting movement or removing (small) luxuries such as leisure activities.

#### 5.12 **Council tax powers relating to empty properties**

The Council will continue to take advantage of existing powers relating to empty properties to generate additional income. In Nottingham this is estimated to generate up to £2.637m per annum and reduces the contribution required from working age recipients of housing benefit to make the scheme affordable.

### **6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

6.1 The localisation of CTSS in 2013/14 transferred the financial risk of the scheme to the City Council. Applying the percentage reduction in Revenue Support Grant announced for 2014/15 to the CTSS funding reduces this by £2.610m (further indicative grant reductions in 2015/16 reduce the funding by £5.972m).

6.2 The cost of the scheme in 2013/14 is lower than originally estimated as demand for benefits was lower than estimated. The effect of this is that the £1m contribution from reserves is not required in 2013/14. This reserve is available to support the cost of the scheme in 2014/15.

6.3 The Government has withdrawn the transitional funding introduced for 2013/14 which NCC accepted to cap working age contributions at 8.5% of the Council Tax bill.

6.4 The additional income generated from the reduction in empty property discounts implemented in 2013/14 will continue to be used to support the cost of CTSS in 2014/15.

6.5 The CTSS consulted upon for 2014/15 would leave the following estimated funding shortfall:

<b>Level of working age contribution</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>
8.5% contribution	3.0	6.9
20% contribution	1.1	4.9
25% contribution	0.0	3.3

6.6 The £1m reserve set aside to support the CTSS in 2014/15 can be used to finance this, assuming a 20% maximum contribution level for working age applicants on benefit.

6.7 **Table 2** shows the total cost of council tax benefit in 2012/13 and the implications for the cost of the CTSS in 2013/14 with a maximum contribution rate of 8.5% for working age households in receipt of full council tax support and an assumed increase to a maximum contribution rate of 20% in 2014/15. The net cost of the scheme estimated for 2015/16 would require a minimum level of working age contribution rate of around 35% on the current funding basis:-

<b>Minimum level of working age contribution:</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>0%</b>	<b>8.5%</b>	<b>20%</b>	<b>20%</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>

Total cost of CTSS	34.498	34.243	34.243	34.841
Less increased contribution from working age claimants	0.000	(1.493)	(3.673)	(3.744)
Net cost of CTSS	34.498	32.750	30.570	31.097
Less Govt grant	(34.498)	(29.422)	(26.812)	(23.450)
One-off Govt grant	0.000	(0.663)	0.000	0.000
Reduction in empty property discounts	0.000	(2.637)	(2.637)	(2.688)
<b>Net cost of the scheme</b>	<b>0.000</b>	<b>0.028</b>	<b>1.121</b>	<b>4.959</b>
City Council share (85.4%)	0.000	0.024	0.957	4.235

6.8 The financial risks associated with this scheme are as follows:

- The estimates assume no increase in demand for benefits. A 1% increase in demand will increase the cost of the scheme by £350k; conversely if demand reduces the cost of the scheme will reduce.
- A 1% movement in collection rates will cost/save £22k per annum on the cost of the scheme.
- Future decisions on the level of council tax will impact upon the cost of the scheme and will need to be considered in the development of the Medium Term Financial Strategy and the design of the CTSS in future years.

## **7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS)**

### **7.1 Local Government Finance Act 2012**

The Local Government Finance Act 2012 (the Act) came into force on 31 November 2012 and imposed a duty on billing authorities to make its first localised council tax reduction scheme by 31 January 2013. Regulations set out certain key requirements and subject to those parameters, other aspects of the scheme are to be agreed locally.

7.2 The key prescribed features are that any scheme must specify the reductions applicable to people or classes of people whom the authority considers to be in financial need; the reduction to which persons in each class are to be entitled (and different reductions may be set out for different classes); and the procedures by which a person may apply for a reduction under a scheme or make an appeal.

7.3 The Government has placed a duty on local authorities to provide a 'protected' scheme for claimants of state pension credit age (pensioners) and have also prescribed certain classes of people who will not be eligible to claim support.

7.4 The Act states that for each financial year, councils must consider whether to revise its CTSS or replace it with another scheme and that such decisions need to be made by 31 January in the financial year preceding that for which the revision or replacement scheme is to take effect.

### **7.5 Consultation**

The Act states that before making a scheme (in the following order) the authority must consult with any major precepting authority, publish a draft scheme and then consult with other such persons who are likely to have an interest in the operation of such a scheme.

7.6 The Statement of Intent identified that billing authorities must put in place a realistic timeframe for consultation to ensure that feedback can be sought from all appropriate

individuals and groups in the community. It adds that in considering their timetable a billing authority will also need to consider that if effective consultation is carried out it also takes time to gather the feedback, understand the key themes and impacts and take it through any internal governance processes to get agreement on any final changes.

7.7 Details of the consultations undertaken are dealt with in the main body of the report and **Appendix 2**.

7.8 **Public Sector Equality Duty**

The public sector equality duty, as set out in section 149 of the 2010 Equality Act, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic.

7.9 The Council must pay due regard to any obvious risk of such discrimination arising in respect of the decision before them. There is no prescribed manner in which the equality duty must be exercised, though producing an EIA is the most usual method. For this reason these matters are examined in the EIA appended to this report.

7.10 The “protected characteristics” are: age, disability, race (including ethnic or national origins, colour or nationality), religion or belief, sex, sexual orientation, pregnancy and maternity, and gender reassignment. Marriage and civil partnership are also a protected characteristic for the purposes of the duty to eliminate discrimination.

7.11 Councillors must consider the effect that implementing the proposed scheme will have in relation to equality before making a decision. The EIA will assist with this.

7.12 Where it is apparent from the analysis of the information that the policy would have an adverse effect on equality, then adjustments should be made to seek to reduce that effect and this is known as “mitigation”.

7.13 The public sector equality duty is not to achieve the objectives or take the steps set out in section 149 of the Equality Act 2010. The duty on the Council is to bring these important objectives relating to discrimination into consideration when carrying out its public functions. The phrase “due regard” means the regard that is appropriate in all the particular circumstances in which the Council is carrying out its functions. There must be a proper regard for the goals set out in section 149 of the 2010 Act. At the same time, when making their decision on what scheme to adopt for localised council tax support, councillors will also need to pay regard to other factors which it is proper and reasonable for them to consider. Budgetary pressures and economic and practical factors will also be relevant. The amount of weight to be placed on the same countervailing factors in the decision making process will be for councillors to decide when the final decision on the scheme is made.

7.14 **Other duties**

In addition to the Public Sector Equality Duty, the Department for Communities and Local Government has provided the following guidance to councils in its May 2012 document entitled: “Localising Support for Council Tax: Vulnerable people – key local authority duties” which reminds local authorities of the need to take other duties into account when setting up a Council Tax Reduction Scheme: Child Poverty Duty under the Child Poverty Act 2010; Homelessness Act 2002; Armed Forces Covenant;

Chronically Sick and Disabled Persons Act 1970; Disabled Persons (Services, Consultation and Representation) Act 1986, and the Children Acts 1989 and 2004. This guidance has been taken into account in preparing the scheme and is addressed through the design of the revised scheme.

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

8.1 The equality impact has been assessed as shown in **Appendix 1**.

8.2 The Equality Act 2010 places a duty on councils to pay due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation, and any other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a 'protected characteristic' and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

8.3 NCC and councillors as decision makers have a legal responsibility to pay due regard to the equalities implications of decisions to change, limit or remove aspects of our services.

8.4 The full EIA will help NCC to identify key issues that need to be considered to try to mitigate any adverse impact that may be felt by citizens in the design of the CTSS.

## **9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

9.1 Equality Impact Assessment – Appendix 1  
Consultation Findings – Appendix 2  
CTSS 2014/15 – available on the Council's website.

## **10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

10.1 Welfare Reform Act 2012  
Local Government Finance Act 2012  
The Equality Act 2010  
Executive Board Report of 18 December 2012  
Executive Board report of 17 December 2013

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