

ARUN DISTRICT COUNCIL

OVERVIEW SELECT COMMITTEE
COUNCIL TAX SUPPORT TASK AND FINISH WORKING PARTY
15 SEPTEMBER 2015

Recommendation Paper

Subject : Council Tax Reduction Scheme Year 4 – April 2016

Report by : Sue Priest - Benefits Manager

Report date: September 2015

EXECUTIVE SUMMARY

The National Council Tax Benefit scheme was replaced in April 2013 with localised Council Tax Reduction Schemes.

The Council is required to formally approve its scheme each year. The Working Party has been reformed to consider the impact of the Summer Budget proposals for Welfare Reform on the proposed scheme for 2016, and to also consider the result of consultation with the main precepting authorities.

RECOMMENDATIONS

The Working Party is requested to: -

- 1) consider the response from West Sussex County Council: and
- 2) consider the effect of the Summer Budget proposals on the recommended scheme for 2016
- 3) recommend that the scheme for 2016 remains unchanged: and
- 4) propose a timetable to consider the design and content of the Local Council Tax Reduction Scheme for year 5

1.0 INTRODUCTION

- 1.1 The Task and Finish Working Party has been re-convened to consider the result of consultation with the main precepting authorities with regard to the proposed scheme for year 4. This report also provides information relating to the effect on the scheme of the welfare changes announced in the 8 July 2015 Budget.
- 1.2 Members are reminded that any revised or replacement scheme must be approved by Full Council by the end of January preceding the date on which it comes into force i.e. 31 January 2016. In addition any new scheme including changes made to the existing scheme must undergo full public consultation.

2.0 CONSULTATION

- 2.1 Following the meeting of Overview Select Committee on 27 January 2015 a letter was sent to both West Sussex County Council and Sussex Police inviting comment with regard to the proposed scheme.
- 2.2 The response from West Sussex County Council is attached to this report. In summary the County Council would like a modified scheme to be considered at the next review and would be a willing partner in the introduction of such a scheme including the setting up of a hardship fund.
- 2.3 No response was received from the Sussex Police.

3.0 WELFARE CHANGES

- 3.1 In the 8 July Budget the Chancellor announced a range of cuts which will reduce claimant incomes. The changes include:
 - Tax credits 'income threshold' of £6,420 reduced to £3,850
 - Tax credits 'taper rate' increased from 41% to 48%
 - Income disregard in tax credits cut to £2,500
 - Universal Credit work allowances reduced/abolished
 - Housing Benefit family premium abolished for **new** claims
 - JSA, ESA work related activity group and Income support rates frozen for 4 years
 - Child benefit frozen for 4 years
 - Housing benefit applicable amounts and LHA rates frozen for four year
 - Personal tax allowance increased to £11,000, higher rate threshold to £43,000
 - National minimum wage increase to £7.20 per hour
 - Social sector rents reduced by 1% per year for four years

- 3.2 Some of the changes form part of the Welfare Reform and Work Bill which has reached the Committee stage in the House of Commons, others can be introduced under existing legislation. The timetable for the introduction of these changes has not yet been fully confirmed, although it is expected that the changes will be rolled out from April 2016. In addition, although some changes mean that household incomes will fall (for example the tax credit changes) others, such as the tax allowance and minimum wage increase could result in increased income.
- 3.3 As the Local Council Tax Reduction Scheme is means tested any net reduction in household income will result in an increase in Council Tax Reduction support being awarded.
- 3.4 Modelling the effect of these changes on the existing scheme has proved to be problematic due to the range of changes that could affect an individual household. It is estimated that the likely overall cost to the scheme will be unlikely to exceed £390,000 overall which equates to an additional cost to Arun of £39,000.
- 3.5 Council Tax Reduction scheme caseload is currently falling. At the end of August 2015 the total number of people receiving Council Tax Reduction had fallen to 12,007, nearly 1,000 less than claimed the reduction in March 2014. This year's scheme is forecast to cost approximately £360,000 less than last year. This reduction needs to be seen in the context of reduced funding, however it might offset some of the increased cost due to the welfare reforms.

4.0 THE PROPOSED SCHEME FOR YEAR 4 (APRIL 2016)

- 4.1 In order to make changes to the proposed scheme for 2016 a full range of options would need to be considered together with the relevant impact assessments.
- 4.2 Any changes to the scheme would need to be subject to a full public consultation. In October 2014 the Supreme Court ruled that Haringey's 2012 consultation was unlawful, stating

"...the subject of the consultation was Haringey's preferred scheme and not any other discarded scheme. It is, however, at this point in the analysis that the division of opinion arose in the Court of Appeal. Sullivan LJ, with whom Sir Terence Etherton agreed, concluded, at para 18, that: "In this statutory context fairness does not require the Council in the consultation process to mention other options...." Pitchford LJ, by contrast, agreed with Underhill J who, at para 27, had concluded that: "consulting about a proposal does inevitably involve inviting and considering views about possible alternatives." It is clear to me that the latter conclusion is correct." [Lord Wilson, 29 October 2014]

This judgement underlines the need for any consultation to include a range of options to be considered.

4.3 As the scheme needs to be approved by Full Council before 31 January 2016 there is little time to prepare a range of options and carry out such a meaningful consultation. It is, therefore, recommended that the scheme remains unchanged for a further year.

5.0 YEAR 5

5.1 In his report to Cabinet on 14 September 2015 the Head of Finance and Property has stated that

“a prudent assumption has been made that the local scheme off Council Tax Support will not be amended for 2016/17 only and the Council will meet the deficit created by the reduction in Central Government funding but a conscious decision by Cabinet is required to reduce the cost of it by no later than 2017/18. Whilst ‘no change’ in 2016/17 is difficult to quantify it will have a detrimental effect upon the MTFS”

5.2 The County Council has asked that when the scheme is next reviewed it is modified.

5.3 The 8 July Budget changes will increase the cost of the scheme if it continues unchanged.

5.4 It is recommended that consideration be given to modifying the scheme for year 5 and that the proposed timetable for work to design the scheme gives sufficient time to allow officers to work on a wide range of options, fully assess the impact of any proposals and allow for a full public consultation.

6.0 CONCLUSIONS

6.1 The Working Party is requested to: -

6.1.1 Consider the response from West Sussex County Council: and

6.1.2 Consider the effect of the Summer Budget proposals on the recommended scheme for 2016.

6.1.3 Recommend that the scheme for 2016 remains unchanged; and

6.1.4 Propose a timetable to consider the design and content of the Local Council Tax Reduction Scheme for year 5.

Background papers

[Welfare Reform and Work Bill](#)

Contact: Sue Priest, Benefits Manager 37522
Iain Bell, Revenues Manager 37633
Paul Warters, Assistant Director, Customer Services, 37510