



## Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward
Council	3 December 2015	All

## The Council Tax Support Scheme for 2016/7

### 1. Synopsis

- 1.1 The Council Tax Support Scheme for 2015/16 was agreed by Council on 4 December 2014. Schemes have to be agreed by the full Council by 31st January for each subsequent year, even if they remain unchanged. This report seeks approval for the 2016/17 Council Tax Support Scheme which, apart from inserting the correct financial year and dates, remains unchanged from the one that we have currently adopted.
- 1.2 There is also a legal requirement to affirm on an annual basis the council tax discounts and exemptions for empty properties and the 50% empty rates premium. This is to ensure that we can retain the discounts, exemptions and premiums approved at full Council last year.

### 2. Recommendations

- 2.1 To agree to adopt the Council Tax Support Scheme for 2016/17 as contained in Appendix A.
- 2.2 To retain the amendments to council tax agreed at full Council on 4 December 2014. To be clear, this means that from 1 April 2016 the following will continue to apply:
  - 1) council tax exemption classes A and C will have a discount of 0% for all cases.
  - 2) council tax discount for second homes will be 0% in all cases
  - 3) council tax discount for empty furnished lets will be 0% in all cases
  - 4) a premium of 50% will be charged on the council tax of all properties that have remained empty for over 2 years in all cases.

### **3 Background**

- 3.1 As a result of the Government's abolition of council tax benefit from 1<sup>st</sup> April 2013 and a reduction in our funding from the Government of at least £2.9m, we have had to propose and consult on a new Council Tax Support scheme which commenced on 1 April 2013. The Council disagreed with the abolition of council tax benefit and the accompanying 10% reduction in funding and actively campaigned against it. Nevertheless, we had no choice but to move forward and to design a scheme that we considered provided the fairest outcome for all our residents in the circumstances.
- 3.2 There is a legal requirement for the Council to agree the scheme each year, and a further requirement to consult with residents if the scheme is changed. At full Council on 4 December 2014 the scheme was approved unchanged (other than housekeeping changes) for the year 2015/16. This report is once again recommending a continuation of the current scheme for 2016/17.

### **4 Detail leading to our recommended Council Tax Support scheme**

#### The scheme adopted for 2013/14 and retained for 2014/15 and 2015/16

- 4.1 The Council Tax Support Scheme is designed:
- to reduce an assessment made under the council tax benefit rules by 8.5% for working age claimants (pensioners are excluded from any reduction by law);
  - to allow a £100 older person discount for residents aged 65 or over who are liable for council tax;
  - to offer a cash back reduction of £15 if a person pays their council tax in full by the end of the year.
- 4.2 In addition to this we have a £25,000 Council Tax Support welfare provision fund within the Islington Resident Support Scheme to help provide a safety net for claimants who struggle to cope with the impact of being charged council tax.
- 4.3 The Council implemented this scheme and retained it for the subsequent 2 years after taking into account the:
- views of residents, stakeholders and partners derived from an extensive consultation for the initial scheme;
  - equality impact assessment that was carried out prior to scheme approval and reviewed annually;
  - provision of a transition grant by the Department for Communities and Local Government for the first year only which could only be accessed if the reduction was capped at 8.5%. The Council element of the grant (i.e not including the GLA) was £548,000

#### The reason for adopting the scheme for the last 3 years in the way that we have

- 4.4 The majority of the responses from the public consultation contained some expression of concern about residents' current circumstances – financial difficulty,

welfare reform, supporting the family, coping through disability, finding a job. They appeared worried about how this change would affect them personally. In that sense it was considered to be a reasonable response to the consultation to limit the reduction to 8.5% to at least provide residents with a greater opportunity to adapt to this change at a time of significant welfare reform.

- 4.5 There was hardly any concern raised about the older person's discount from the general public consultation, although this was picked up at the stakeholder forums where a number felt that the time was right for this to be removed. However, only 1.8% of the respondents to the consultation using the survey forms disagreed with the older person's discount.
- 4.6 There was a clear message that we should do all we can to reduce the burden of the Government cut. We went to the full extent of the legal scope for changing council tax exemptions and discounts and approved the removal of all the exemptions and discounts that the change to the law allowed relating to empty properties and agreed to charge a premium of 50% on properties standing empty for more than 2 years. We considered this to be the right approach, not least because we wanted to continue to see properties occupied rather than standing empty.
- 4.7 The majority of people supported the cash back idea and so this was introduced and will be retained; albeit we are now starting to gather enough evidence to allow us to consider whether we should consult on its continuation into future years.
- 4.8 People were concerned about the way that we would enforce against non-payment of council tax in the light of people losing their council tax benefit. We wanted to be flexible and fair for people receiving council tax support. Whereas in the past we would normally seek to get a summons and liability order before agreeing payment plans with people, we now seek to agree reasonable plans with people prior to it reaching enforcement stage. Furthermore we haven't used bailiffs for council tax support cases and are seeking to link people to the council tax welfare provision in the Resident Support Scheme for residents that are facing difficulty and are prepared to work with us to find a way forward. Council tax collection has held up reasonably well at 96%, increasing marginally from the previous year.

#### The reason for leaving the scheme unchanged for 2016/17

- 4.9 The current position is that we are just 2 and a half years into a new scheme. It is too early to decide on whether the conditions that we introduced after much thought and extensive consultation should be changed at this stage. The emerging position as set out in the Resident Impact Assessment (Appendix B) is that most residents affected have been able to respond to the changes in council tax support and are making payments. We have received minimal complaints or appeals and the requirement for support from the council tax welfare fund has not been as high as expected at this stage. We are pleased that the work that we have undertaken to help people respond to these changes has to date largely been successful.

- 4.10 Nevertheless, we are acutely aware that, for the last 3 years, the full impact of the welfare reform changes have largely been masked by temporary money provided by the Government in the form of Discretionary Housing Payments. These have been used to mitigate the impact of local housing allowance reductions for private tenants, benefit cap restrictions and the large scale reduction in housing benefit as a result of the 'spare room subsidy' or 'bedroom tax'. We are also aware that many could soon start to be impacted by their transition to personal independence payments which could lead to a reduction or loss of disability benefits for some of our residents and that the benefit cap is soon to be reduced further increasing significantly the numbers affected. We are concerned that the temporary money from the Government to support affected residents will diminish or prove to be insufficient.
- 4.11 We are equally concerned that the further cuts to benefits announced by the Government in July freezing all working age benefits and making specific changes to housing benefit, universal credit, and employment support will have a negative and cumulative impact on the well-being of our residents. We are aware that the Government has been forced to think again about tax credits for families and the working poor but we continue to be extremely concerned that there will be significant unfavourable changes to in-work benefits in the near future.
- 4.12 Taking all these factors into account, we consider that the position as set out in 4.4 above still applies and it would be an appropriate and fair response from us to seek to continue to limit the council tax support reduction to 8.5% for 2016/17. We propose that should also retain the older person's discount and the cash back offer for another year.
- 4.13 The transition grant of £548,000 that allowed us to cap the reduction to 8.5% for 2013/14 has not been provided subsequently. For 2015/16 the impact of the loss of Government grants (previously provided specifically for this purpose) was limited by the Council agreeing to provide on-going funding through the general fund revenue budget. The budget proposals, to be agreed by the full Council in February 2016, will not include any change to this provision.
- 4.14 We are also recommending no change to the discounts, exemptions and premium charged on empty council tax properties for the reasons given in paragraph 4.6 above.

#### Housekeeping changes for the 2016/17 scheme

- 4.15 Although we are recommending that the Council Tax Support scheme remains unchanged for 2016/17, with the basis for award assessment remaining the same, it is necessary to change some dates and to insert the current financial year in places to bring the scheme up to date. The relevant insertions and deletions to the 2016/17 scheme when compared to the 2015/16 scheme are marked in Appendix A.
- 4.16 Members are asked to agree the new scheme for 2016/17 in the light of these housekeeping changes.

## **5 Financial Implications**

- 5.1 The first year of the Council Tax Support Scheme (2013/14) was funded from a one-off transitional grant from the Government. Last year the scheme was funded on an on-going basis from the council's budget. There will be no changes to the budget for the CTS Scheme in the budget proposals to be agreed by the Council in February 2016.

## **6 Equality Implications**

- 6.1 The Council Tax Support Scheme Resident Impact Assessment is attached as Appendix B. This can be summarised as follows:
- The Council is choosing to keep most criteria for the Council Tax Support scheme the same as for Council Tax Benefit because it considers this to be fair, with extra premiums already awarded for disability, children and incentives for employment.
  - The Council Tax Support scheme provides full protection for older people who are a vulnerable group that we would like to continue to support.
  - In relation to older people aged 65 or over, Islington's minimum Council Tax Support of £100 means that there will be fewer marginal cases of older people who are not quite poor enough to receive the benefit but who are still economically fragile. People in this category are less likely to access, or be able to access, the labour market.
  - Retaining the 8.5% reduction despite the loss of the government grant helps all residents who will be impacted by the cumulative loss of other benefits from the government's welfare reforms.
  - Applying the 8.5% reduction to the end of the benefit award (bottom slicing) rather than taking this from the liability (top slicing), works out better for people on partial benefit and it was people on partial benefit who were most concerned about the financial impact of the changes to them personally.
- 6.2 The Resident Impact Assessment identified the following as the key mitigation options:
- The Council's limiting of the reduction in benefit from what would be in the region of 18% to 8.5% allows affected claimants greater opportunity to adapt to their financial circumstances.
  - The Council can continue to help to finance the costs of limiting the reduction in benefit to 8.5% as a result of adopting the other changes to the Local Government Finance Act on exemptions and discounts (empties) by charging fully for class A and C empty properties, second homes and empty furnished lets.
  - The Council can continue to limit the impact of the Council Tax Support by adopting a non-standard council tax recovery process for council tax support recipients where appropriate.
  - The Council can mitigate for residents who cannot pay through the use of the council tax welfare provision (or other funds) in the Residents Support Scheme.

## 7. Legal Implications

7.1 The Council Tax Support scheme is considered to be lawful. There are no changes to the terms of the scheme for 2016/17, so the requirement now is for full Council to agree the scheme for its continuing adoption from 1 April 2016 for the full 2016/17 council tax year.

7.2 The Council must have due regard to the Public Sector Equality Duty, which is integral to the Council's functions, and which is set out in Section 149 of the Equality Act 2010 as follows:

- “1) A public authority must, in the exercise of its functions, have due regard to the need to —
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it...
- (3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to-
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
  - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
  - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- (4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- (5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
- (a) tackle prejudice, and
  - (b) promote understanding.
- (6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.
- (7) The relevant protected characteristics are—
- age;
  - disability;
  - gender reassignment;
  - pregnancy and maternity;
  - race;
  - religion or belief;
  - sex;
  - sexual orientation.”

## 8 Conclusion and Reason for Recommendations

- 8.1 The Government was wrong to abolish Council Tax Benefit and to pass the burden of reduced funding for Council Tax Support to local residents. We have created a local Council Tax Support scheme in line with the law and we have introduced a universal 8.5% reduction to existing council tax benefit levels because we believe that this was the fairest way to introduce this for our residents in the circumstances. From 2014/15 we lost the grant that enabled us to limit the reduction to 8.5% but, in view of the cumulative impact of welfare reform changes, we considered it reasonable to fund this from the Council's budget and we consider that it is appropriate to continue this unchanged into 2016/17.
- 8.2 We have continued to award a minimum reduction of £100 for older people and have included a cash back element as an incentive to those who have to pay the additional council tax that will be charged. We have introduced a safety net in the form of the Resident Support Scheme providing support if the additional council tax causes exceptional hardship. This report recommends that the Council Tax Support scheme is agreed and should continue unchanged from 1 April 2016.
- 8.3 This report also recommends that we continue with the changes made in 2013/14 and retained subsequently to discounts and exemptions for empty properties and for the charging of a 50% premium for properties left empty for more than 2 years. This helps to bridge the gap imposed by the Government in the council tax support scheme funding so that, in line with our principles, those who are able to pay more will continue to support those who are less able to pay.

**Appendices:** Appendix A Council Tax Support Scheme for 2016/17  
Appendix B Resident Impact Assessment

**Background papers:** None

### Final Report Clearance

**Signed by**



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Executive Member of Finance and Performance

Date

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