



Report of: Executive Member for Finance, Performance & Community Safety

Meeting of:	Date:	Wards:
Council	15 December 2016	All

The Council Tax Support Scheme for 2017/18

1. Synopsis

- 1.1 The Council Tax Support Scheme for 2016/17 was agreed by full Council on 3 December 2015. Schemes have to be agreed by the full Council by 31st January for each subsequent year. This report seeks approval for the 2017/18 Council Tax Support Scheme with some proposed changes following a public consultation exercise.
- 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 2017/18 as contained in Appendix A and explained in this report.
- 2.2 To retain the amendments to council tax agreed at full Council on 3 December 2015. To be clear, this means that from 1 April 2017 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 1st 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 to be changed. We are proposing some changes this time and so have consulted:
- directly with 2,000 residents – 1,000 council tax payers (not in receipt of council tax support) and 1,000 council tax support recipients
 - generally via the Islington Council website
 - the GLA and Lloyds Square residents as this is a requirement under the council tax precepting arrangements.
- 3.3 The Council also has to formally agree each year the council tax discounts, exemptions and premium set out once again as a recommendation (unchanged from the previous year) in clause 2.2 above.

4 Detail leading to our recommended Council Tax Support scheme

The Current Scheme

- 4.1 The scheme that we adopted and have retained since 2013 has the following features:
- Pensioners aged 65 or over receive at least £100 in council tax support to help them pay their council tax if they are charged from the start of the council tax year.
 - Pensioners are protected and their council tax support award is linked to national requirements that are prescribed by the government. This broadly means that their council tax support is the same as they would have received in council tax benefit.
 - The council tax support award for working age people is worked out by calculating how much benefit they would have received under the old Council Tax Benefit scheme, and then reducing this by 8.5 per cent.
 - Working age people have their award based on the council tax benefit regulations to allow us to continue to provide extra support for disabled people, families with children, and people in employment.
 - A cash-back of £15 is awarded to all working age council tax support recipients who pay their council tax in full by the end of the year.

Changes proposed

4.2 We are proposing to change the following for the 2017/18 scheme:

- Any revisions that would cumulatively reduce a person's council tax support award for working age people by less than £1 per week to be discounted.
- End the £15 cash back award.
- For changes that happen to similar benefits nationally, provide the Council the option to make changes at the same time to our Council Tax Support Scheme.
- To make some housekeeping changes (to dates etc.) to ensure that the scheme relates to the 2017/18 financial year.

The rationale for change

4.3 We are proposing to stop making changes to a person's award (working-age) if it is cumulatively less than £1 a week for two reasons:

- This would allow a person to have a wage increase (or any income increase) of around £5 a week and still retain their current level of council tax support. We want to support people into higher paid employment.
- It would mean we no longer have to issue a new council tax bill - which can be confusing for residents - every time there is a minor increase in resident's income.

4.4 Awarding a cash-back of £15 to council tax support recipients who pay in full by the end of the year costs on average around £150,000 a year. It was intended to be a payment incentive. The Council has a significant budget savings requirement for 2017/18 as a result of on-going cuts in government funding. We will bring full budget proposals to Council for agreement in February 2017 but, in our discussions to date, we consider this reduction to be fairer than the alternatives which could include cuts that would lead to a loss or reduction in a service that we ought to retain. In the context of the difficult budgetary decisions that we have to make, we consider it better to remove a council tax payment incentive for some (with no clear evidence that it actually increases collection) than to remove or reduce other important services for our residents.

4.5 The proposal to give us the option to make changes to the Council Tax Support scheme during the year, in line with changes that are being made to similar benefits nationally, means that our scheme could retain the features that exist within similar national schemes such as Housing Benefit. The intention is that we continue to apply income, premiums and allowances in broadly the same way across similar schemes. This would apply to changes that are both advantageous and detrimental; hence our proposal gives us the option to make a change during the year or to reject this if we consider it to be inappropriate.

The consultation results

4.6 The consultation report is included as Appendix B.

The summary of feedback on the proposed changes to the Council Tax Support Scheme is as follows:

- The proposal to have the option to make changes to the Council Tax Support scheme when changes are made to similar benefits nationally: 45% of respondents either strongly agreed or agreed, 23% of people either disagreed or strongly disagreed with this.
- The proposal to ignore changes that would reduce the council tax support award by less than £1 a week: 51% of respondents either strongly agreed or agreed, 22% of people either disagreed or strongly disagreed with this.
- The proposal to end the £15 cash back awarded to council tax support working age recipients who pay their council tax in full by the end of the year: 46% of respondents either strongly agreed or agreed, 33% of people either disagreed or strongly disagreed with this.

4.7 The consultation responses favour the proposals that we have made to change the existing scheme. The GLA did not respond to our letter inviting their response to the proposed changes.

5 Implications

Financial Implications:

5.1 We used a modelling tool to baseline the existing cost of our council tax support scheme and to calculate the savings or the cost of adopting each proposal. The overall impact of this set of proposals is a budget saving of £100,000 (rounded) which will be included in the list of proposals for the budget decision at Council in February 2017.

	Baseline the Current Scheme for 2017/18	Change 1	Change 2	Change 3
Proposal description	The current scheme uprated by 3.99%. This takes into account the National Living Wage, the increase in the Personal Tax Allowance and other policy changes.	The current scheme aligned with recent changes in housing benefit regulations.	To not apply any revisions that would reduce a person's council tax support award for working age people by less than £1 per week.	The current scheme with the removal of the £15 cash back for all working- age council tax support recipients who pay their bill in full by the end of the financial year.
Total cost of scheme	£26,136,542	£26,116,542	£26,136,542	£25,983,662
Support to working age households	£17,193,926	£17,173,926	£17,193,926	£17,033,232

Estimated Savings (working age)	N/A	£20,000 (our share £15,400) immediate saving based on a family premium change in May 16. Future savings and costs to be determined as changes are made.	£40,000 cost (our share £30,800)	£152,880 saving (our share £117,718)
Resident Impact Assessment		All working age claimants could be impacted, depending on changes made nationally.	Will help all working age claimants including working people who receive small pay increases during the year.	All working age council tax support claimants could be impacted, depending on their propensity to pay the council tax in full by year end.

Legal Implications:

- 5.2 The proposals to change the current scheme are considered to be lawful. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

Resident Impact Assessment:

- 5.3 The Resident Impact Assessment is attached as Appendix C. In retaining most aspects of the scheme as summarised in 4.1 above we are:
- Choosing to continue to align the Council Tax Support Scheme with council tax benefit; providing extra premiums and/or applicable amounts for disability, children and incentives for employment.
 - Providing full protection for older people who are a vulnerable group that we would like to continue to support. This includes minimum council tax support of £100 for older people aged 65 or over. This 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% cap on council tax support reduction despite the loss of the government grant; helping all residents who will be impacted by the cumulative loss of other benefits from the government's on-going programme of cuts to social security.

- 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.

5.4 The Resident Impact Assessment identified the following as the key mitigations for the two changes that could possibly dis-benefit council tax support recipients (4.4 and 4.5 above):

- The Council's limiting of the reduction in benefit from what would be a cap in the region of 20% to 8.5%. This will continue to allow affected claimants greater opportunity to adapt to their financial circumstances.
- The Council will 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 (empty properties) by charging fully for class A and C empty properties, second homes and empty furnished lets.
- The change proposed in 4.3 above, stopping award changes of less than £1 per week, will benefit all council tax support recipients.
- The Council will continue to limit the impact of council tax on council tax support recipients by adopting a non-standard council tax recovery process. This includes our policy not to use bailiffs for live council tax support cases.
- The Council will continue to support residents who cannot pay through the use of council tax welfare provision (or other funds) in the Residents Support Scheme.

6 Reasons for the recommendations / decision:

The amended Council Tax Support Scheme is agreed at full Council in December each year in compliance with statutory timescales. We are proposing a change to the scheme this year to contribute to our overall savings requirement, improve the position (particularly for the employed) when they have small increases in income and to continue the alignment of our scheme with national schemes where we consider it to be appropriate. The consultation responses broadly support the proposals that we have made.

Appendices:

- Appendix A – 2017/18 Draft Scheme
- Appendix B – Consultation Report
- Appendix C – Resident Impact Assessment

Background Papers: None

Final Report Clearance:

Signed by



9 December 2016

Executive Member for Finance, Performance &
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Date

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