The Council Tax Support Scheme for 2015/16

1. Synopsis

1.1 The Council Tax Support Scheme for 2014/15 was agreed by Council on 5 December 2013. 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 2015/16 Council Tax Support Scheme which, apart from housekeeping changes, 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 2015/16 as contained in Appendix A.

2.2 To note that the scheme for 2015/16 is proposed to be funded from the Council’s budget and that this will be reflected in the budget presented to full Council in February 2015.

2.3 To retain the amendments to council tax agreed at full Council on 5 December 2013. To be clear, this means that from 1 April 2015 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 changed. At full Council on 5 December 2013 the scheme was approved unchanged (other than housekeeping changes) for the year 2014/15. This report is once again recommending a continuation of the current scheme for 2015/16.

4 Detail leading to our recommended Council Tax Support scheme

The scheme adopted for 2013/14 and retained for 2014/15

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 £125,000 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 last year 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 last year;
- 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 2 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.

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.

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 held up reasonably well last year at 95.9% with only a small reduction from the previous year which was 96.8%.

The reason for leaving the scheme unchanged for 2015/16

4.9 The current position is that we are just 20 months 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 2 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 the loss of Employment Support Allowance and the commencement of Personal Independence Payments which will most likely lead to the reduction or loss of disability benefits for many of our residents.

4.11 We are concerned at the cumulative impact that will be felt when these benefits are lost and the temporary money from the Government to support affected residents dries up. In this context, 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 2015/16. We also see no emerging evidence that would compel us to remove the older person’s discount or the cash back offer at this stage.

4.12 The transition grant of £548,000 that allowed us to cap the reduction to 8.5% for 2013/14 was not provided last year. As a result, the continuation of the scheme was funded from a one-off Government grant relating to the return to the council of the unused top slice funding for the national New Homes Bonus Scheme for 2014/15. It is proposed that for 2015/16 the scheme is funded from the Council’s budget and this will be reflected in the budget proposals to be agreed by the full Council in February 2015.

4.13 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 2015/16 scheme

4.14 Although we are recommending that the Council Tax Support scheme remains unchanged for 2015/16, with the basis for award assessment remaining the same, there are some insertions and deletions to the 2015/16 scheme when compared to the 2014/15 scheme and these are marked in Appendix A.

4.15 These are changes to remove clauses that are out of date or to change wording to clarify the original intention (i.e for the cash back award). Members are asked to agree the new scheme for 2015/16 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. This year the continuation of the scheme was funded from a one-off Government grant relating to the return to the Council of the unused top slice funding for the national New Homes Bonus Scheme. It is proposed that for 2015/16 the scheme is funded from the
council’s budget and that this will be reflected in the budget proposals to be agreed by the Council in February 2015. Continuing the scheme is estimated to cost £800,000 in 2015/16.

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 2015/16, so the requirement now is for full Council to agree the scheme for its continuing adoption from 1 April 2015 for the full 2015/16 council tax year.
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 continue making the reduction by using one off resources and we consider that it is appropriate to continue this into 2015/16. This will be incorporated in the budget proposals for agreement in February 2015.

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 2015.

8.3 This report also recommends that we continue with the changes made in 2013/14 and retained in 2014/15 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.

Background papers: Appendix A Council Tax Support Scheme for 2015/16
Appendix B Resident Impact Assessment

Final Report Clearance

Signed by

25 November 2014

Executive Member of Finance and Performance Date

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