

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
3 December 2013

Subject: **WELFARE REFORM – IMPACT ON REVENUES & BENEFITS (FROM APRIL 2014)**

All Wards

Portfolio Holder for Support Services and Economic Development: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 To advise members of the current situation regarding the Council Tax Reduction (CTR) Scheme (Local Scheme that replaced National Scheme for working-age claimants from April 2013) and to feedback the results of the Consultation exercise (Appendix 1).
- 1.2 To recommend that a revised Local Scheme to run for 2 years from 1 April 2014 is adopted by Council on 10 December 2013.
- 1.3 To recommend to Members an introduction from 1 April 2014 of a civil penalty charge of £70.00 as contained in the Local Government Finance Act 1992.
- 1.4 The penalty mentioned in 1.3 above relates to taxpayers/claimants who fail to inform the Council of any changes in circumstances that would affect their Council Tax Liability e.g. where they are no longer entitled to a discount or exemption. As Council Tax Reduction is now a discount this penalty can be applied to those claimants who fail to inform us of any changes. The penalty is added on to the Council Tax bill. A full procedure and process will be adopted to administer this new charge.
- 1.5 Members will recall that they agreed a Council Tax Reduction Scheme at the December 2012 Council Meeting for 1 year only that commenced on 1 April 2013.
- 1.6 The Scheme consisted of the following elements:
 1. Limits the liability to 8.5% of the charge.
 2. Remove 2nd Adult Rebate Calculations

The 8.5% Limit was achieved following an announcement that Central Government would provide additional resource for 1 year only through a Transitional Fund. Central Government has made it clear that there will be no additional funding for 2014/15.

- 1.5 In addition to the introduction of the Council Tax Reduction Scheme members also agreed on the following Liability changes to Council Tax charges:
 1. The removal of a 10% discount from a second home. All second homes will therefore be charged at 100%.
 2. Empty Properties are to be awarded 50% discount for 6 months from the date the property meets the criteria (unoccupied and substantially unfurnished).
 3. A Local Discount is created under Section 13a of The Local Government Finance Act 1992 at 50% for 1 month from the date the property meets the criteria (unoccupied and substantially unfurnished). This means that for 1 month the property will receive a 100% discount (50% scheme and 50% local) it should be noted that the financing of any local discount is the responsibility of the Local Authority and it maybe that members will agree to this subject to the precepting authorities financing their proportions of it.

1.6 We are now proposing the adoption of a scheme for Year 2 starting on 1 April 2014 and has undertaken a consultation exercise that ran between 2 September 2013 and 13 October 2013 looking at just 2 changes (see Appendix 1); to the 2013/14 scheme:

1. The Liability for all working-age claimants is increased from 8.5% to 20%
2. The scheme will run for a 2 year period ending on 31 March 2016.

2.0 **RISK ASSESSMENT:**

Risk assessments have been carried out.

2.1 Risk in approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
The amount of benefit paid out a local level exceeds the estimated figure.	Any monies paid out in excess of the measures taken would potentially create a deficit in the collection fund.	3	4	12	Careful monitoring of the scheme to remedy any impact for Year 4

2.2 Risk in not approving the recommendation(s)

Risk	Implication	Prob*	Imp*	Total	Preventative action
That a Local Scheme will not be adopted by Council within the timescales.	The Council would have to revert (for Year1) to the National Scheme at considerable expense and risk a challenge.	5	5	25	To ensure that the Council adopts a Local Scheme for Years 2 & 3.

3.0 **FINANCIAL IMPLICATIONS AND EFFICIENCIES:**

The proposal assume a 0% increase in Council Tax for 2014/15

3.1 Proposal

Council Tax Reduction Budget for 2013/14- (@ 91.5% Liability)	£4,466,000*
Less Estimated Council Tax Reduction to be Paid 2014/15 (@ 80% Liability)	£4,041,000
Reduction in Council Tax Reduction Paid for 2014/15	£ 425,000
Less Bad Debt Provision @30%	£ 128,000
Estimated Additional Income	£ 297,000
HDC proportion of Additional Income	£ 19,000

* The current expenditure to date is £4,258,000 (£208,000) lower than the estimate. This figure could however show an increase over the next few months as a result of a change in the local economy (closure of RPA offices and Prison) as well as summer seasonal work finishing.

4.0 LEGAL IMPLICATIONS:

4.1 Any scheme will risk a Legal Challenge. The revised scheme will be compiled by a consultant who is an expert in this field and sits on joint working groups with Central Government.

5.0 EQUALITY/DIVERSITY ISSUES:

5.1 Comprehensive Quality Impact assessments have been carried out over the range of all claimant groups that will be affected i.e. Working Age/Working Age Vulnerable.

6.0 RECOMMENDATIONS:

6.1 It is recommended to Council that:-

- 1) the proposed scheme in 1.6 above is adopted; and
- 2) the levying of £70.00 as a civil penalty as proposed in 1.3 above is adopted.

JUSTIN IVES

Background papers: None

Author ref: BB

Contact: Brian Bottle
Revenue and Benefits Manager
Direct Line No 767011

**Local Council Tax Reduction Scheme
Information and Questionnaire
(September 2013)**

2 Sept-13 Oct 2013

6 paper responses and 14 online responses received = 20 total

What is the local council tax reduction scheme?

In April 2013, council tax benefit was replaced by a local council tax reduction scheme. People who are entitled to a council tax reduction pay less council tax. Under council tax benefit, the council received a grant from the government to cover the entire cost of entitlements. Under the current council tax reduction scheme there is a shortfall in funding.

Originally for 2013/14 we were going to implement a 20% reduction in maximum entitlement. However, as a result of 'one off funding' from central government we were able to reduce the 20% reduction to 8.5%. As this funding was available for one year only, we are now proposing to revert to the original 20% reduction in maximum entitlement for year two.

Why change again?

- ~ Due to further reductions in funding we now need to consult with you about potential changes to the scheme from April 2014.
- ~ The government has said people who are of state pension credit age will continue to be assessed under a national scheme and will not be affected by any changes.
- ~ Hambleton District Council is also committed to protecting residents who are in receipt of War Pensions.
- ~ The local council tax support scheme proposals are from April 2014.
- ~ As part of the consultation we would like your views on some proposed changes to the scheme's rules and entitlement limits.
- ~ Your views will help us make a decision on what the Council Tax Reduction Scheme for 2014/15 or 2015/16 will be.

Proposed changes to the scheme's rules and entitlement limits

- ~ The current scheme provides that all recipients will have a maximum award of 91.5% of their Council Tax liability.
- ~ Consideration is being given to changing the maximum award against Council Tax liability to 80%.
- ~ The effect of this is illustrated in the examples overleaf:

Example one:

Under the current scheme Mrs Jones is on income support and her council tax is £30 per week. She is entitled to £27.45 per week council tax reduction and would have £2.55 per week to pay.

Under the 80% proposal she would be entitled to £24 per week council tax reduction and would have £6 per week to pay.

Example two:

Under the current scheme Mr Singh is working and his council tax is £27.59 per week. He is entitled to £2.51 per week council tax reduction and would have £25.08 per week to pay.

Under the 80% proposal he would be entitled to £0 per week council tax reduction and would have £27.59 per week to pay.

Q1	MAXIMUM AWARD All working age customers should have the maximum award of Council Tax Reduction restricted to either:	
	6 (30.0%)	91.5% (current)
	11 (55.0%)	80%
	1 (5.0%)	Don't know
	0 (0.0%)	No opinion
	2 (10.0%)	No reply

If you have any comments or alternative suggestions to this proposal please detail below:

- 1) 100%
- 2) Would you be able to implement a maximum amount award rather than a maximum percentage award? This would allow people who have taken their circumstances into account and are trying to live within their means to still have a proper reduction in their council tax bill which could make a real difference to their standard of living, and could also reduce scope for potential for abuse of the system.
- 3) If the council tax reduction is increased to 80%, then those on means tested income (i.e. the minimum amount the government say one needs to live on) would be further reduced. Hence a single person on Job Seekers Allowance of £71.70 would have to pay even more out of this meagre amount of income. I believe the 91.5% reduction should be maintained as top increase to 80% disproportionately hits the lowest earners more. Plus with the economy of Hambleton hit by closures such as the RPA, prison etc, there are few if any jobs for people to attain. If the 91.5% is not funded by central government again, then it should be funded locally by such as increasing car park charges, increasing charges for use of leisure centres, simplifying planning rules leading to reduction in planning staffs. Unilaterally charging charities who open shops in the district the full business rates. Also a 'pay as you throw' waste charge on households who generate a lot of waste. Plus is there capacity to recycle more things to generate further council income?
- 4) I am in favour of a 20% contribution for those of working age, where it is justified; however, there are many who, for genuine reasons, cannot work and would, therefore, face financial hardship if this was imposed on them. Some, who are already paying 8.5%, are in severe difficulties. For this reason, the current rate should stand, unless you can identify individual households where it would be unreasonable to increase the rate, which I doubt is at all possible. I fear that Government guidelines do not cover all circumstances of genuine need and this must be addressed. I also believe that the rules are open to misinterpretation. Nothing is black or white as there are too many variables. This scheme requires further consultation with Government departments.
- 5) If there are genuine reasons for someone of working age not to be in employment, a 20% contribution would be punitive if that person has to rely on State benefits for their existence. In many cases an exemption may be appropriate, but means-testing should be applied before determining any level of contribution where there is ambiguity. Examples of those who may be considered for exemption: Those approaching retirement age who have been made redundant and cannot find any other employment [most probably due to their age]; those who have been severed due to ill health and those of working age who are full-time carers. Many people in the above circumstances may be homeowners with responsibilities that tenants [liable for council tax] do not have to fund: e.g. building insurance; property maintenance; repair and servicing of central heating systems etc., in addition to servicing a mortgage, for which support on the interest has already been significantly reduced. Those who are long-term sick or disabled face significantly higher expenses and this must be taken into account.
- 6) Everyone should pay something. Those who don't pay still have their bins emptied, use the Library, have the roads swept, the drains cleaned etc. Opt out of paying, opt out of the services!
- 7) As most jobs are part-time these days, people are struggling to pay the rising costs of bills. Working age customers need all the help that they can get.
- 8) As you know, the tide of public opinion is turning against anyone who fails to adequately care for the most vulnerable members of our society. As such, everyone that I know of believes that you were wrong not to exempt disabled people from the cut to Council Tax Benefit in 2013. Your decision not to do so was made all the worse in the light of neighbouring councils making such an exemption. In 2014 you should exempt disabled people and those that the government has placed in the ESA Support Group who are incapable of work due to disability or chronic illness. A failure to do so will push already vulnerable people further and further into poverty.

Q2 LENGTH OF THE SCHEME	
How long do you think the Council Tax Reduction Scheme should run for?	
6 (30.0%)	<i>One year (from 1 April 2014 to 31 March 2015)</i>
9 (45.0%)	<i>Two years (from 1 April 2014 to 31 March 2016)</i>
1 (5.0%)	<i>Don't know</i>
2 (10.0%)	<i>No opinion</i>
2 (10.0%)	<i>No reply</i>
<i>If you have any comments or alternative suggestions to the length of the scheme, please detail below:</i>	
<p>1) For as long as it is affordable by the council.</p> <p>2) In order for people on low incomes to be able to forward plan and budget, it is essential that any change of benefit reduction be of a period long enough to enable those on low income to know how little they have to spend per week/month etc. Coupled with the forthcoming Universal credit it could a change to far to only have a one year increase.</p> <p>3) Two years is the minimum period required to allow both council, in consultation with Government and households, to review scheme.</p> <p>4) A two-year period would give a degree of financial stability for customers, to allow for discussions about future concessions, and to safeguard the vulnerable.</p> <p>5) Review yearly</p>	

Equalities Monitoring Form (optional)								
Section A								
To help us understand what different people think about the proposed local council tax reduction scheme for Hambleton, please provide us with the following information. If you are responding on behalf of an organisation, please go to Section B.								
Are you a Council Tax payer in the Hambleton area?								
18 (90.0%)	Yes	1 (5.0%)	No	0 (0.0%)	Prefer not to answer	1 (5.0%)	No reply	
If you ticked 'Yes', which of the following market towns do you live in or closest to?								
4 (20.0%)	Bedale			2 (10.0%)	Stokesley			
1 (5.0%)	Easingwold			1 (5.0%)	Thirsk			
9 (45.0%)	Northallerton			1 (5.0%)	Prefer not to answer			
2 (10.0%)	No reply							
Are you receiving a Council Tax Reduction?								
5 (25.0%)	Yes	12 (60.0%)	No	2 (10.0%)	Prefer not to answer	1 (5.0%)	No reply	
Are you ...?								
9 (45.0%)	Female	10 (50.0%)	Male	0 (0.0%)	Prefer not to answer	1 (5.0%)	No reply	

Which age group do you belong to?							
1 (5.0%)	20 years or under		0 (0.0%)	21-34 years			
10 (50.0%)	35-54 years		5 (25.0%)	55-64 years			
2 (10.0%)	65-70 years		1 (5.0%)	71 years or over			
0 (0.0%)	Prefer not to answer		1 (5.0%)	No reply			
Do you consider yourself to be a person with a disability as prescribed by the Equality Act 2010?							
3 (15.0%)	Yes	14 (70.0%)	No	2 (10.0%)	Prefer not to answer	1 (5.0%)	No reply

Section B - Organisation details			
Are you responding to this consultation in your capacity as a representative of any of the following?			
	Yes	No	No reply
Voluntary Organisation	1 (5.0%)	18 (90.0%)	1 (5.0%)
Housing Association	0 (0.0%)	18 (90.0%)	2 (10.0%)
Landlord	1 (5.0%)	17 (85.0%)	2 (10.0%)
<i>Any other, please specify:</i>	1) As a full-time carer		

Please complete your contact details below (optional):			
Your name:	Your address:	Your email address:	Your telephone number:
Mr E Fodden	19 Cleveland Drive, Northallerton DL7 8RU	joricfodden@aol.com	
Sandra Hall	17 Church View, Brompton, Northallerton, Nth Yks, DL6 2QX	sandra.hall@hambleton.gov.uk	01609 767101
Charles Torkington	Malaha, Carlton Road, Carlton Miniott, Thirsk YO7 4LX	torkington@zoho.com	07957 006193
John Noone	Overdale, 9 Masham Road, Bedale DL8 2AF	john@dalesprintsupplies.co.uk	01677 423086
Pieter Smit		pietersmit@mac.com	
Sarah Andrews	12 The Close, Romanby, Northallerton DL7 8BJ	sarah.andrews47@yahoo.com	
John Monger	12 Harbour View BEDALE	jamonger@waitrose.com	01677 426438
Janet Ford	43 The Stripe	janet.ford8@gmail.com	07710 800274

Next steps
We will consider the views of everyone who responds to this questionnaire.
The Council's Cabinet will meet in November 2013 to review the consultation results and make final recommendations.
The new scheme will be approved by full Council in December 2013 for implementation from 1st April 2014.
Following the final decision by Council in December 2013, we will let people know about the new scheme.