



Meeting: Council

Date: 4 December 2014

Wards Affected: All Wards

Report Title: Proposed Council Tax Support Scheme 2015/16

Is the decision a key decision? Yes

Executive Lead Contact Details: Mayor Oliver, Mayor and Executive Lead for Employment and Regeneration, Finance and Audit, email mayor@torbay.gov.uk

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1. Purpose and Introduction

- 1.1 To update members on the background of the current scheme and recommendations for delivering a local Council Tax Support scheme with effect from April 2015.
- 1.2 For each financial year billing authorities must consider whether to revise or replace its current scheme. The Council must approve the final scheme by 31st January each year, even if no changes are proposed. Council Tax Support schemes cannot be changed mid-year.

2. Proposed Decision

- 2.1 That the uprating of working age personal allowances and non dependant deductions for Council Tax Support from 1 April 2015 is in line with the uprating for national welfare benefits.
- 2.2 That the uprating of pension age household allowances for Council Tax Support from 1 April 2015 is in line with the Prescribed pensioner scheme for Council Tax Support from 1 April 2015 set by the Government.
- 2.3 That an Exceptional Hardship Fund for 2015/2016 of £80,000 be approved to top up Council Tax Support awards in appropriate cases.
- 2.4 That the Executive Head of Finance be given delegated authority, in consultation with the Mayor and Executive Lead for Employment and Regeneration, Finance for Audit, to make any further adjustments required to the Exceptional Hardship Policy and Fund and the Vulnerable policy.

3. Reason for Decision

- 3.1 If the personal allowances were not uprated working age residents would effectively have a cut in their entitlement as the cost of living increases.
- 3.2 In the case of non-dependent deductions, the general taxpayers would pick up the cost of living increase rather than other adults in individual households who could contribute to these costs. Additionally, uprating these allowances will not significantly increase the costs falling on this council and its taxpayers.
- 3.3 Appendix 2 provides details of the 2015/16 schemes in Devon.

Supporting Information

4. Position

- 4.1 Prior to April 2013 the national Council Tax Benefit scheme was available to taxpayers on low incomes to assist them with their Council Tax liability. This scheme had been in operation since 1993.
- 4.2 Following changes introduced by the Local Government Finance Act 2012, local authorities had to devise their own local schemes for low income households to take effect from 1 April 2013.
- 4.3 This was against a backdrop of reduced Government funding of approximately ten per cent, at a cost of £1.6m to the Council when compared to the funding given for the previous Council Tax Benefit scheme.
- 4.4 Torbay's scheme was prepared as part of a Devon wide approach, where the overarching principle was to develop a cost neutral scheme. However, it was unlikely that each authority's scheme would be identical, or produce the same end result for residents across the county, because of the different local demographics and the constraints placed on the design of local schemes by the government.
- 4.5 A detailed analysis of over 35 different financial models of reducing support was evaluated, based upon the principles of fairness, ease of understanding and ease of administration, taking into account the demographic profile of Council Tax Benefit claimants in Torbay.
- 4.6 The proposed scheme and its financial impacts were calculated by changing specific variables that are used in the Council Tax Benefit Regulations 2006. As defined by the Department of Communities and Local Government (DCLG), all pensioners are protected under the national framework.
- 4.7 Torbay's draft scheme was published in July 2012 to form the basis of the public consultation, which ran from 6 August to 1 October as part of a co-ordinated, Devon wide approach.
- 4.8 Section 9 of the Local Government Finance Act 2012, passed in November 2012, required all local authorities to approve their local scheme to reduce the Council Tax liability of persons it considers to be in financial need by 31 January 2013.

4.9 Following the consultation process the new scheme was approved by members at Full Council in December 2012.

4.10 The scheme adopted for 2014/15 is the same as the scheme adopted for 2013/14 with the clause to uprate personal allowances and non dependant deductions.

2015/16 Council Tax Support Scheme

4.11 The scheme that will be adopted for 2015/16 is the same as the scheme that was adopted for 2014/15. The reasons for this are it:

- Provides minimal disruption for the council and residents;
- is based on the previous scheme and involves no additional new risk;
- does not create any new administrative costs;
- does not disproportionately affect any particular group – disabled persons, single parents, etc;
- allows more time for the council to monitor the effects of other benefit cutting schemes around the country;
- presents a very low risk of legal challenge.

4.12 The Government uprates state benefit income every April and the components (personal allowances and non dependant deductions) that were used for calculating levels of entitlement for the old Council Tax Benefit scheme were also increased each year, normally in line with inflation.

4.13 The components used to calculate Council Tax Support consist of the following:

- **Personal Allowances** - the basic amounts of money the government says a claimant needs to live on. The level depends on the claimant's age and whether they are part of a couple. There are additional allowances for dependant children.
- **Premiums** - additional amounts added to the personal allowance because of claimant's personal circumstances. The government recognises that it is more expensive to live with a family or if someone has a disability or caring responsibilities. Extra amounts are added to income based benefits to account for this.
- **Disregards** - the amount of earnings not taken into account when calculating entitlement to benefits. There are standard earnings disregards for singles, couples and lone parents. People in certain groups, such as carers and people with disabilities are eligible for a higher disregard.
- **Non Dependant Deductions** - the amount that is deducted for other people who are 18 or over and live in the household. The deduction rates for non-

dependants are set according to their income, as it is assumed that they can make a financial contribution to the household.

- 4.14 Under the current scheme pensioners are protected and the level of entitlement for them must remain. Protection will be achieved by keeping in place the existing national rules, with eligibility and rates defined in Regulations broadly similar to those that already exist. This is known as the Prescribed pensioners scheme.

5. Possibilities and Options

- 5.1 None for the purpose of this report

6. Fair Decision Making

- 6.1 This decision will have a positive impact on the community.

7. Public Services (Social Value) Act 2012

- 7.1 The procurement of services or provision of services is not relevant for this report.

8. Risks

- 8.1 By maintaining existing levels of support it is not anticipated that there will be any legal challenge to the council's scheme.
- 8.2 The council continues to face the financial risk of receiving less Council Tax income than budgeted due to an increase in the number of residents receiving Council Tax Support.

9. Equality Implications

- 9.1 The scheme is being amended in line with statutory requirements and uprating the financial allowances. There is no change to the way the existing scheme operates so no equality assessment has been undertaken.

10. Legal Implications

- 10.1 Schedule 1A of the Local Government Finance Act 2012 requires local authorities to consider whether to revise or to replace its scheme each year. Any revisions or a replacement scheme must have been considered and agreed no later than the 31st January 2015 for operation by 1st April 2015.
- 10.2 There are no requirements to undertake public consultation should the scheme remain unchanged.

Appendices

Appendix 1 - 2014/15 Council Tax Support schemes in Devon

Appendix 2 - 2015/16 Council Tax Support schemes in Devon

Appendix 3 – Summary of Welfare Benefits Uprating Bill

Appendix 1

Devon's Approved Schemes 2014/15

All schemes are based on the *old* Council Tax Benefit rules but with the changes shown below.

Name of Authority	Limit Liability	Second Adult Rebate	Band Restriction	Capital Limit	Hardship Fund
East Devon District Council	80%	Withdrawn	Band D	£8,000	Yes
Exeter City Council	80%	Withdrawn	No restriction	£6,000	Yes
Mid Devon District Council	80%	Withdrawn	Band D	£8,000	Yes
North Devon District Council	75%	Withdrawn	Band D	£6,000	Yes
South Hams District Council	80%	Withdrawn	Band D	£16,000	Yes
Teignbridge District Council	100%	Withdrawn	Band D	£6,000	No
Torrige District Council	75%	Withdrawn	Band D	£6,000	Yes
West Devon District Council	80%	Withdrawn	Band D	£16,000	Yes
Torbay Council	75%	Withdrawn	No restriction	£6,000	Yes
Plymouth City Council	80%	Withdrawn	Band E	£6,000	Yes

Devon's Proposed Schemes 2015/16

All are based on the 2014/15 local schemes but with the changes shown below.

East Devon District Council

Increase in personal allowances and non dependant deductions. No other changes

Exeter City Council

Increase in personal allowances and non dependant deductions. No other changes

Mid Devon District Council

Increase in personal allowances and non dependant deductions. No other changes

North Devon District Council

Increase in personal allowances and non dependant deductions. No other changes

South Hams District Council

Increase in personal allowances and non dependant deductions. No other changes

Teignbridge District Council

Increase in personal allowances and non dependant deductions. No other changes

Torrige District Council

Increase in personal allowances and non dependant deductions. No other changes

West Devon District Council

Increase in personal allowances and non dependant deductions. No other changes

Torbay Council

Increase in personal allowances and non dependant deductions. No other changes

Plymouth City Council

Increase in personal allowances and non dependant deductions. No other changes

Welfare Benefits Up-rating Bill

Bill No 116 of Session 2012-13

RESEARCH PAPER 13/01 4 January 2013

Social security legislation requires the Secretary of State to review benefit levels each year to determine whether they have retained their value relative to prices. For most benefits annual up-rating is not mandatory, but historically governments have exercised their discretion by increasing the principal means-tested working-age benefits each April in line with prices. Since 2011 the measure used has been the Consumer Price Index (CPI).

In his 2012 Autumn Statement, the Chancellor announced that increases in most working-age benefits would be limited to 1% a year for three years from 2013-14, as part of a package to deliver additional welfare savings of £3.7 billion a year by 2015-16. Increases in the basic rates of benefits such as Jobseeker's Allowance and Employment and Support Allowance (ESA), and benefits including Statutory Sick Pay and Statutory Maternity Pay, will be limited to 1% a year, but disability and carer premiums payable with means-tested benefits, and the ESA Support Component, will rise by the full CPI (2.2% from next April). Up-rating by 1% will also extend to the couple, lone parent and child elements of tax credits and, for 2014-15 and 2015-16, to Child Benefit and the basic and 30 hour elements of Working Tax Credit (these are already frozen for 2013-14). Universal Credit (UC) earnings disregards and certain UC elements are also to be limited to a 1% increase in 2014-15 and 2015-16, as will Housing Benefit rates (subject to certain exceptions).

The Bill amends primary legislation to enable the decisions on up-rating in 2014-15 and 2015-16 to be implemented. This paper has been prepared for the Second Reading debate in the House of Commons.