

PLYMOUTH CITY COUNCIL

Subject: Revised Council Tax Support Scheme
Committee: Cabinet
Date: 14 January 2014
Cabinet Member: Councillor Lowry
CMT Member: Malcolm Coe (Assistant Director for Finance)
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Ref:
Key Decision: No
Part: I

Purpose of the report:

The Government delegated funding and authority for local councils to implement localised Council Tax Support (CTS) schemes from April 2013. The level of funding passported from government represented a reduction to councils compared to the previous national based Council Tax benefit scheme. For Plymouth, this equated to a benefits budget cut of circa £2.6m per annum.

Plymouth City Council developed their local CTS scheme, along with other Devon Councils, on the basis of being cost neutral i.e. the level of benefits given to the public was within the affordability envelope of the budget provided by Government.

Under government rules, certain benefit claimants had to be protected under local CTS schemes, mainly pensioners and those claiming single person discount. The key impact of this was a real term cut to the working age council tax benefit claimant.

Some flexibility was offered to local councils to restrict the level of benefits given to those in higher value, (and banded), properties. Due to the city having a disproportionately high number of Band A and Band B properties, the only way that Plymouth was able to close a funding gap of £2.6m was to reduce the level of Council Tax benefit given to **all** claimants. Along with many other Devon Councils, we adopted a scheme that required everyone of working age having to pay at least 25% towards their Council Tax bill.

Following consultation with local residents, the 2013/14 Plymouth scheme was set up based on the following criteria:

- Disregards income from war disablement pension when determining levels of support;
- Takes into account savings of more than £6,000 for claimants of working age;
- Households in property Bands E and above are subject to a maximum level of support equivalent to Band E level only;
- Removes the Second Adult Rebate discount for working age residents;
- Requires all working age residents to contribute at least 25% towards their Council Tax bill.

The purpose of this report is to review the impact of the localised CTS for Plymouth and make relevant recommendations for changes in 2014/15, following consideration of the scrutiny report on the Council Tax (attachment of earnings) from the Co-operative Scrutiny Board.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

This report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. As well as allocating limited resources to key priorities to maximise the benefits to the residents of Plymouth, this amendment aligns with our "Caring" objective to be a fairer, more equal city.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

The localised CTS scheme introduced by Plymouth in 2013/14 contained certain assumptions in relation to the level of Council Tax collection rates. The new scheme resulted in circa 16,000 residents having to pay at least 25% of their Council Tax bill for the first time. As a result, we took a prudent view as to our ability to collect Council Tax income due.

The 2013/14 scheme also contained an element of financial contingency to accommodate an estimated increase in individuals claiming benefits due to the economic climate and impact on national welfare reform changes. In reality, the total number of benefit claimants throughout the last 12 months has remained fairly static at around 29,000.

A further contingency was created to facilitate an 'exceptional hardship fund' to make one-off payments to those who were struggling most to pay their council tax bills. Actual call against this fund has been much lower than anticipated in the first 9 months of this financial year.

Reviewing the relatively low call on contingency to date in 2013/14, the council wishes to ease the burden on those most struggling financially in the community. As such, we are proposing to reduce the minimum amount that working age residents have to contribute for their council tax from 25% to 20%. This would benefit the average CTS claimant by approx. £50 per year.

In addition, the number of individuals that are issued summonses, and subsequent Liability Orders, (LO), for non-payment of council tax has increased in recent years. This is a similar trend throughout many local authorities reflecting the difficult financial times. It is estimated that approx. 8,000 Plymouth residents will be charged £83 each for LOs in 2013/14. Whereas the £83 that the council charges is in line with Council average, (as per CIPFA benchmarking), and the charge has not risen for three years, again, reviewing the call against Council Tax contingency has enabled us to consider reducing this charge for the 2013/14 financial year to £60 per Liability Order to help those most in need.

As required, we have undertaken formal public consultation on the proposed changes to the existing CTS for 2014/15. We have also provided further detail to our Co-operative Scrutiny Board; the Board supports the the proposal that Plymouth City Council should reduce the minimum contribution that working age people should pay towards their council tax bill from the current 25 percent to 20 percent; the the Co-operative Scrutiny Board also supports the proposal that Plymouth City Council should reduce the fee charged when the Council makes an application for a Council Tax Attachment of Earnings order from £83 to £60. The Board also made a number of further recommendations which are being considered. The scrutiny report is attached as an appendix to this report.

The proposed changes to the scheme now need to be formally adopted by Full Council by 31 January 2014 in order to be effective by 1 April 2014.

The net full year revenue cost of implementing the two proposed changes is circa £900k which has been factored into the overall proposed budget for 2014/15. Following the final settlement from government for the next financial year 2014/15, which confirmed the shortfall in council tax benefit funding does not exceed the £2.6m cut already enacted, the changes are affordable within the existing budget and earmarked revenue contingency.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The service undertakes annual benefit take up campaigns which are targeted to areas of greatest need. When introducing the new local CTS scheme in 2013/14, all 16,000 residents affected by the changes were contacted individually in advance of receiving their first bill. Through these phone calls, many were able to claim additional benefits to which they were entitled to.

Equality and Diversity:

An effective Revenues and Benefits service helps address inequalities through ensuring that the most vulnerable residents receive appropriate benefit entitlement. The proposed changes outlined in this report recognise the financial burden and strain on the most vulnerable people in our community and offers some financial assistance back to those residents.

Recommendations and Reasons for recommended action:

1. Cabinet note and adopt the recommendations from the Co-operative Scrutiny Board;
2. recommend to Full Council for approval that the 2013/14 Council Tax Support scheme continues for the 2014/15 financial year and that all elements of the scheme remain the same except the requirement for minimum contribution for all working age residents reducing from 25% to 20%;
3. Cabinet approve the cost levied by the Council for Liability Orders be reduced from £83 to £60 with effect from 1 April 2014.

Alternative options considered and rejected:

Make no changes to the 2013/14 CTS scheme. This would result in an unspent contingency that was earmarked specifically for the implementation of the localised Council Tax Support scheme. In effect, the scheme would not be running on a cost neutral basis, generating a surplus through unspent contingency.

Many other Devon councils are retaining the 25% minimum contribution rate, but applying the Council's values we should be 'fair' in how this funding is distributed to those most in need.

Published work / information:

Council Tax Support scheme 2013/14

Background papers:

None

Sign off:

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Originating SMT Member: Malcolm Coe													
Has the Cabinet Member(s) agreed the content of the report? Yes													