



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	COUNCIL - 22 JANUARY 2020
Report number	AGENDA ITEM (09)
Subject	COUNCIL TAX SUPPORT SCHEME FOR 2020/2021
Wards affected	All
Accountable member	Cllr. Mike Every Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
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Summary/Purpose	To present the results of the public consultation on proposals for revising the current Council Tax Support scheme; and to seek approval for the proposed amendments (which will become effective from 1 st April 2020), as recommended by the Cabinet.
Annexes	Annex A - Council Tax Support Scheme Proposals (2020) Annex B - Summary of Public Consultation Responses Annex C - Equality Impact Assessment Annex D - Council Tax Support Scheme additional proposals
CABINET Recommendations	<i>That Council be recommended to approve amendments to the current Council Tax Support scheme, as outlined in Annex A, in relation to Working Age claimants for 2020/21, including any uprating, as follows:</i> <ol style="list-style-type: none">1) <i>Amending the banded scheme as set out in Annexes A and D;</i>2) <i>Introduce an 'extended period' of up to 8 weeks;</i>3) <i>Remove the two child limit to help larger families have more disposable income;</i>4) <i>Increase the capital limit from £6,000 to £10,000.</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard. Help residents, businesses and communities to access the support they need to ensure a high level of health and wellbeing.

Key Decision	N/A
Exempt	NO
Consultees/ Consultation	Leader of the Council, Portfolio Holder, S151 Officer, Head of Paid Service, Monitoring Officer, Senior Management Team, Group Managers. Full public consultation. Major Precepting Authorities.

1. BACKGROUND

- 1.1. With effect from 1st April 2013, the previous support in relation to Council Tax Liability (Council Tax Benefit) was abolished for working age claimants and replaced with a provision for Billing Authorities to create their own local 'Council Tax Support' (CTS) scheme. These local schemes would no longer be covered by benefits legislation but would become local Council Tax Discounts; with pension age claimants being protected under a prescribed scheme that mirrors the previous Council Tax Benefit scheme.
- 1.2. The Government's stated policy intentions were:
- To incentivise work - making work pay, while protecting those that cannot work;
 - To allow local authorities the flexibility to design schemes that meet local needs and conditions; and
 - To reduce the overall expenditure on support for Council Tax by 10%.
- 1.3. The funding arrangements changed in 2013 from 100% benefit subsidy, to grant based on 90% of the previous scheme (Council Tax Benefit) expenditure.
- 1.4. In parallel with the localisation of CTS, reforms to certain classes of Council Tax exemptions and discounts (related to 'empty homes') meant that the Council also had local discretion to change the level of exemptions/discounts awarded. The Council decided to reduce the Class A exemption (unoccupied and undergoing major repair) from 100% for twelve months to 100% for six months and the Class C exemption (unoccupied and unfurnished from 100% for six months to 100% for the first month and 25% for the second month only. Additionally, with effect from 1st April 2013, the Council decided to remove the 10% discount previously applied in respect of Second Homes. These changes meant potential increases in tax income that covered the CTS grant reduction losses for all precepting authorities.
- 1.5. Further changes were made in 2014 and a new Local Scheme was introduced which required a minimum of 8.5% of Council Tax charge for working age customers, excluding the protected groups.
- 1.6. With effect from 1st April 2019, and following public consultation, the scheme was further amended and an income banded scheme was introduced. The key reason for this was to allow some certainty of monthly household expenditure for working households on low income levels.

- 1.7. Councils are required to review their schemes each year and decide if they want to make any changes. Before any changes can be implemented, they must be subject to public consultation. In September 2019, officers proposed changes to the scheme, making it more advantageous for those most in need. Both the Leader and Cabinet Member with responsibility for Finance agreed the proposed scheme should be consulted on.
- 1.8. These proposed changes are detailed within Annex A (attached) and the full public consultation results are attached at Annex B. The purpose of this report is to provide information on each of the proposals and an analysis of the consultation exercise to enable the Council to approve a Local Council Tax Support Scheme, to take effect from 1st April 2020.

2. MAIN POINTS

- 2.1. CTS is currently provided to over 3887 households in Cotswold District at an annual cost of £4m. This includes working and pension age customers. Approximately 1,735 of these households are of working age and therefore, subject to the local scheme.
- 2.2. The proposed changes to the current scheme and the reasons for these changes are as follows:
 - a) Amending the banded scheme:

It was considered that although the current income bands were advantageous to administer with universal credit claims, it was disadvantaging certain groups, such as lone parents, as all groups were put into the same income bands. The proposed scheme addresses this and different income bands are now being proposed for different households/income types.
 - b) Protect vulnerable groups:

The proposal is to continue supporting those who are unable to work, or have limited capacity to work.
 - c) Introduce an 8 week extended period of support:

This is being proposed to assist with the transition for those customers who move from a lower income band to a higher one, and helps minimise additional hardship by giving a short period of 'breathing space' to assist with adjustments (i.e. maintaining their previous, higher, level of entitlement following an income increase).
 - d) Remove the two child limit

This will remove the current cap which is placed on those families with more than two children and allow for more disposable household income; therefore helping to address child poverty.
 - e) Increase capital limit from £6,000 to £10,000

A tariff income of £1.00 for every £250.00 (or part of) between £6,000 to £10,000 will be assumed, but by increasing the capital limit customers will be able to retain a higher level of savings allowing for households to manage their personal affairs more freely and having money readily available for when things go wrong.

- 2.3. The Council is legally required to have its scheme finalised by 11 March 2020, and must have conducted a public consultation, and had its scheme approved by the Council before that deadline.

3. FINANCIAL IMPLICATIONS

- 3.1. Since 2013/14 the CTS scheme operates in a similar way to discounts, such as for empty properties or single person occupiers. Rather than being accounted for as a benefit cash payment, the council tax base is reduced. Whilst there is no impact for the individual Council Tax payer, a lower Council Tax base reduces the tax yield to this Council, Gloucestershire County Council; The Office of the Police and Crime Commissioner and Town and Parish Councils. To offset this impact, the Government paid a cash grant to all local authorities which was 10% less than the funding for the previous Council Tax Benefit scheme. This funding was rolled in to Revenue Support Grant from 2014/15 and has therefore, been subject to further cuts.
- 3.2. The proposed changes within Annex A increase the cost of the Local CTS scheme. This will be reflected in a small decrease in the Council Tax Base and Council Tax income recognised in the collection fund. The reduction in income will be spread proportionately across the major precepting authorities (Gloucestershire County Council, The Office of the Police and Crime Commissioner and Cotswold District Council). By making these proposed changes, based on the current year's tax-base, it is estimated it will decrease the total tax base by around 30 band D properties, costing £52,822 to the precepting bodies of which approximately £3,893 relates to Cotswold District Council.
- 3.3. The proposed changes within Annex D (suggested by the Citizens Advice Bureau) will increase the cost of the Local CTS scheme further. By making these proposed changes, based on the current year's tax-base, it is estimated it will decrease the total tax base by around 54 band D properties, costing £94,810 to the precepting bodies of which approximately £6,988 relates to Cotswold District Council.

4. LEGAL IMPLICATIONS

- 4.1. The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each authority to design a scheme specifying the reductions which are to apply to amounts of Council Tax.
- 4.2. The Local Council Tax Support Scheme is required under Section 13A of the Local Government Finance Act 1992 ("the Act"), as amended. The Act states that for each financial year, Billing Authorities must consider whether to revise their CTS scheme or replace it with another scheme. The prescribed regulations set out the matters that must be included in such a scheme. Before making any changes, under Section 40 of the Act, the Council must:
- Consult with any major precepting authorities
 - Publish the draft scheme
 - Consult other parties likely to have an interest in the scheme.

- 4.3.** The deadline for making decisions is 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect (under paragraph 5, schedule 1A of the Act). If the Council does not make/revise a CTS scheme by 11 March 2019, a default scheme will be imposed on the Billing Authority which will be effective from April 2020.

5. RISK ASSESSMENT

- 5.1.** There are three key risks to consider:

- That the benefit caseload increases significantly, resulting in expenditure exceeding the levels estimated within this report
- That the development of a CTS scheme that reduces benefits expenditure, without being supported by robust principles and consultation, could be open to legal challenge on equalities grounds
- That the administration, collection and recovery costs (including the costs for write-offs) could increase as a result of creating additional and relatively small liabilities.

6. EQUALITIES IMPACT (IF REQUIRED)

- 6.1.** An equality impact assessment has been completed and attached as Annex C.

7. ALTERNATIVE OPTIONS

- 7.1.** The criteria for the CTS scheme are at the Council's discretion and, therefore, various alternatives and options are open to the Council.
- 7.2.** Citizens Advice has provided an in-depth response to the consultation and although they agree with the majority of the proposals within the recommendations, they believe that the proposed scheme within Annex A insufficiently supports households with more than two children and that it would continue to cause hardship to these groups.
- 7.3.** As a result of this, further modelling to the scheme has been carried out and is provided in Annex D.
- 7.4.** The financial implications of this alternative proposal are set out in section 3.2 above.

8. CABINET DELIBERATIONS

- 8.1.** The Cabinet considered this issue at its Meeting on 6 January 2020, and unanimously agreed the recommendations contained within this report. It should be noted that such recommendations incorporate the alternative proposal put forward by Citizens Advice (Annex D).

9. BACKGROUND PAPERS

- 9.1.** None.

(END)