



**Meeting:** Council

**Date:** 5 December 2013

**Wards Affected:** All Wards

**Report Title:** Proposed Council Tax Support Scheme 2014/15

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**Key Decision:** Yes

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## **1. Purpose and Introduction**

- 1.1 The Department of Communities and Local Government have advised that if a Council does not agree its local scheme for 2014/15 by the 31 January 2014 then the Council's own scheme for 2013/14 becomes its new default scheme and will continue for the financial year 2014/15.
- 1.2 This means that working age households receiving state benefits would have their income increased through the annual government uprating, however the components used to calculate Council Tax Support would remain unchanged. This would result in a reduction in Council Tax Support for working age households that receive state benefits.
- 1.3 It is estimated that if the uprating was not applied the expenditure of the scheme for working age households, if everything else remained constant, would reduce by approximately £40,000 for the year.
- 1.4 The Government will uprate the Prescribed pensioner scheme for Council Tax Support from 1 April 2014. Once this is known it is proposed to use this information to uprate the Council Tax Support scheme for pension age households.
- 1.5 This report sets out the Council's proposed response that will allow for uprating to be applied to the current scheme.

## **2. Proposed Decision**

- 2.1 To agree uprating the applicable amounts and non dependant deductions in the 2013/14 scheme in order to calculate Council Tax Support from 1 April 2014.
- 2.2 It is recommended that:

1. Applicable amounts and non dependant deductions are uprated for the local Council Tax Support scheme is approved.
2. Delegated authority is given to the Executive Head of Finance, in consultation with the Executive Lead Member for Finance, to make any further adjustments required to the 2014/15 Council Tax Support scheme, the Exceptional Hardship Policy and Fund and the Vulnerable policy.

### **3. Reason for Decision**

- 3.1 If the applicable amounts 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 2014/15 schemes in Devon.

### **4. Position**

- 4.1 On 1 April 2013, the national Council Tax Benefit scheme was abolished and replaced with locally determined Council Tax Support schemes
- 4.2 For 2013/14 local authorities had to devise their own local schemes for low-income families within the following framework:
  - Government funding was reduced by 10% nationally (around £1.6m for Torbay).
  - The funding changed from being demand-led subsidy to annual cash limited grants to local authorities and major precepting authorities (Fire & Police). Consequently in a changing economic climate the expenditure could be higher or lower than the amount of grant received.
  - Pensioners had to be protected and a pensioner scheme (equivalent to the old Council Tax Benefit Regulations 2006) was prescribed in regulations.
  - Councils are expected to observe their duty to protect certain other vulnerable groups although these are not defined in regulations.
  - Schemes should support incentives to work and avoid disincentives to move into work.
  - To provide certainty for claimants, schemes may be revised from one year to the next but not within year.
  - Consultation is required with precepting authorities who are also affected by any new scheme that reduces their council tax income
- 4.3 Torbay's draft scheme was prepared as part of a Devon wide approach, where the over arching 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.

- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 Following the consultation process the new scheme was approved by members at Full Council in December 2012.
- 4.9 Appendix 1 provides details of the current 2013/14 schemes in Devon.

#### **2014/15 Council Tax Support Scheme**

- 4.10 The scheme that will be adopted for 2014/15 is the same as the scheme that was adopted for 2013/14. 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
- 4.11 The Government updates state benefit income every April and the components (applicable amounts 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.
- 4.12 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.

4.13 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 takes account of the public sector equality duties through ensuring it does not disproportionately affect any particular group. It protects income for

vulnerable families through adopting the 2013/14 scheme and introducing the clause to 'uprate' their allowance.

## **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 2014 for operation by 1st April 2014.
- 10.2 There are no requirements to undertake public consultation should the scheme remain unchanged.

## **Appendices**

Appendix 1 - 2013/14 Council Tax Support schemes in Devon

Appendix 2 - 2014/15 Council Tax Support schemes in Devon

Appendix 3 – Summary of Welfare Benefits Up-rating Bill