Summary

This report provides members with the up to date position and progress on the Council’s Council Tax Support Scheme for 2014.

The report provides an update on the current funding position in respect of the 2013 transitional grant, the Council’s response to this and the proposals for the 2014 Council Tax Support Scheme and requests approval to begin a formal consultation exercise on this basis.

The findings from the consultation exercise will be considered alongside the Council’s Equality Impact Assessment and final recommendations will be brought back to the Executive later in the financial year.

Recommendations

The Executive is requested to:

1. Note the withdrawal of the government’s transitional grant and the impact on the Council’s scheme.
2. Approve the proposals contained in the report and agree to the start of a formal consultation exercise.
3. Note that the outcome of the consultation exercise will be reported back to Executive in November 2013.

Wards Affected: All

<table>
<thead>
<tr>
<th>Community Strategy Spine</th>
<th>Summary of the contribution to the strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of the economy of the region and sub region</td>
<td>Council Tax collection will be adversely affected as a result of cuts in the financial support provided to many low income households in the city.</td>
</tr>
<tr>
<td>Reaching full potential in education and employment</td>
<td>Where possible the proposals have been considered to ensure that they do not have a negative impact on the transition into work or maintaining employment</td>
</tr>
</tbody>
</table>
Individual and collective self esteem – mutual respect | N/a

Neighbourhoods of Choice | N/a

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The government has confirmed that it will not be repeating the transitional grant scheme for 2014/15. This means that the Council will have to consider how this funding shortfall of more than £1 million will be met, cognisant of other budget and financial pressures and reductions in government funding. If the funding shortfall is made up by the Council, the funding mechanism would require that the precepting authorities (Fire and Police) are affected as they will similarly lose the transition grant they have received in 2013/14.

Budgets across the Council are already facing significant pressures. Funding this shortfall from existing Council budgets would require a reduction in spend on services to residents in other areas of the Council to fund this gap in government provision.

This position puts the Council back to its position prior to the offer of the transitional grant. Given the Council’s financial position, there is a need to revise the Council’s 2013/14 Council Tax Support Scheme so that it is less generous and spend is reduced by the amount required to meet the shortfall.

Financial Consequences – Capital

None

Contact Officers:

Richard Paver City Treasurer 234 3564
E-mail richard.paver@manchester.gov.uk

Julie M Price Head of Revenues, Benefits and Shared Services 953 8202
E-mail j.price2@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents
are available up to four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Department for Communities and Local Government (DCLG)
- Localising support for council tax in England: funding arrangements consultation
  May 2012
- Localising support for council tax: transitional grant scheme
  October 2012
- Localising support for council tax
  Transitional grant scheme – frequently asked questions
  October 2012
- Minutes of the Executive, July 2012, November 2012 and January 2013
- Manchester’s 2013 Council Tax Support Scheme
- Manchester’s Discretionary Council Tax Payment Scheme
1. Introduction and background

The Council is required to develop its Council Tax Support Scheme for the 2014/15 financial year.

Financial help towards Council Tax changed from a government led and funded scheme (Council Tax Benefit), to a locally managed and funded scheme (Council Tax Support) from April 2013. As part of this the government reduced the funding available for local schemes by approximately 10% of the baseline 2012/13 spend.

This amount was transferred to local authorities to administer in 2013/14. For 2014/15 funding has been included in the overall financial support paid through the Revenue Support Grant system and takes no account of in increases in Council Tax or caseload changes.

As Manchester was paying out around £50 million per year of Council Tax Benefit in 2012/13, there is now a funding gap of approximately £5 million per year when compared to the old Council Tax Benefit scheme.

2. Manchester's position in respect of Council Tax and Council Tax Support

Bills are sent for 204,000 Council Tax accounts amounting to more than £145 million each year. Of this around one third of residents receive financial support in the form of Council Tax Support.

The following table shows property breakdown and benefit levels split across the Council Tax bands:

<table>
<thead>
<tr>
<th>Property band</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Council Tax properties</td>
<td>131,181</td>
<td>36,725</td>
<td>30,744</td>
<td>14,687</td>
<td>5,288</td>
<td>1,974</td>
<td>776</td>
<td>104</td>
</tr>
<tr>
<td>Number of these that are empty</td>
<td>5,661</td>
<td>1,689</td>
<td>1,478</td>
<td>826</td>
<td>339</td>
<td>110</td>
<td>55</td>
<td>10</td>
</tr>
<tr>
<td>Number of working age households in receipt of some CTax Benefit</td>
<td>39,100</td>
<td>4,623</td>
<td>2,033</td>
<td>458</td>
<td>91</td>
<td>19</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of non-working age (elderly) in receipt of some CTax Benefit</td>
<td>4,242</td>
<td>608</td>
<td>470</td>
<td>114</td>
<td>31</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of non-working age (elderly) households in receipt of full CTax Benefit</td>
<td>14,000</td>
<td>1,716</td>
<td>996</td>
<td>273</td>
<td>60</td>
<td>17</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

3. Developing the 2013 scheme

The Council’s 2013 scheme was developed during the last financial year. Full details are as follows.

3.1 July 2012 Executive
The Council’s original proposal to fund the shortfall in government grant was to award a maximum Council Tax Support award of 85%, effectively top-slicing the financial support that is paid. This would have meant that all residents, including those in receipt of Income Support would have to pay 15% of the charge. The Council also proposed capping the maximum Council Tax Support award to band A for residents needing one bedroom and band C for residents needing two or more bedrooms, not paying awards of Council Tax Support of below a £1 per week, removing Second Adult Rebate and a number of other small scale administrative changes.

Because of the level of financial risk in terms of the collection of the new charges and the requirement to support the changes with a proposed discretionary scheme, the Council also assumed a further amount of income by making changes to the charges made for Council Tax relating to empty and unoccupied properties.

After agreeing these proposals the Council went out to formal consultation on this basis.

In late October 2012 the Council received notification that the government had introduced a transitional grant scheme to aid transition for 2013/14 only. The grant was based on local authorities meeting government conditions that included a significant local authority contribution towards the funding gap.

Principal amongst the government conditions was that those claimants who would be entitled to 100% support under the old Council Tax Benefit arrangements would pay no more than 8.5% of their net Council Tax liability. Therefore, for those who would not have paid Council Tax under the old benefits system, a maximum benefit of no less than 91.5% could be applied for the amount of Council Tax eligible for Council Tax Support. This also meant that capping benefits linked to band was not possible as it would mean that some households would be paying more than the 8.5% threshold set by government.

Other criteria that the government established included:

- The taper rate must not exceed 25%
- There must not be any sharp reduction in support for those entering work.

The grant available on the basis that the Council met the government’s requirements for transitional support is:

- Manchester City Council £997,158
- Police Authority £127,362
- Fire Authority £46,460
- Total £1,170,980

### 3.2 November 2012 Executive

At its November 2012 meeting, Executive agreed the following recommendation:

To apply for the transitional grant funding for the 2013/14 scheme only, modify the proposed Manchester local scheme to comply with the revised, imposed government
eligibility criteria and undertake a further consultation exercise to obtain the views of Manchester residents.

This was based on the following proposed Council Tax Support Scheme

Claims from people of working age

(i) All awards are based on 91.5% of the Council Tax charge for the property. This meant that the maximum a household could receive would be 91.5% of the Council Tax due. All households would have to pay a minimum of 8.5% of the Council Tax due.

(ii) The Council developed a Discretionary Support Scheme to support vulnerable residents with extreme hardship and support the transition into work for low paid residents.

Claims from people over pension age

(iii) People over pension age were excluded from the changes.

Executive agreed to the decision on the basis that it increased the amount of government grant received by the Council and allowed a period of transition with households affected by the changes having a lower amount to pay during 2013/14 when other significant changes were also coming into force (for example the social sector size criteria and the benefit cap).

3.3 January 2013 Executive

Following a further consultation exercise a further report went back to the January 2013 Executive. This included the results of the two consultation exercises, a full Equality Impact Assessment and full details of the Council’s financial proposals in respect of the 2013/14 Council Tax Support Scheme.

After due consideration, the Executive agreed the following approach.

(i) The outcomes of the original and extended consultation process were noted.

(ii) The recommendation to accept the transitional government grant for year one (2013/14) of the scheme was agreed.

(iii) The Council’s local Council Tax Support Scheme should be based on the following:

- All awards for working age households should be based on 91.5% of the Council Tax charge for the property. This meant that the maximum a working age household could receive would be 91.5% of the Council Tax due. All these households would have pay a minimum of 8.5% of the Council Tax due.

- The Council has a Discretionary Support Scheme for Council Tax of £200,000 for 2013/14 to support vulnerable residents with extreme hardship and support the transition into work for low paid residents.

(iv) The revised Council Tax Support Scheme was commended to Council.
4. Other councils’ schemes

Across the country there is now a range of schemes that differ greatly. This is due to different local authorities’ approaches to applying for the transitional grant funding, including the ability to afford or absorb the grant reduction, the property values (numbers in various bands) and demographic information including benefits caseload data and the working age/pensioner caseload split (pensioners are completely protected from the changes). In general terms the higher the pensioner caseload, the greater the financial impact in terms of the loss of the grant on the remaining working age caseload.

Appendix one provides details of the 2013/14 schemes within the Association of Greater Manchester Authorities (AGMA).

5. 2014 scheme

Any changes to the Council’s agreed 2013/14 scheme requires further consultation and a review of the Equality Impact Assessment.

5.1 Withdrawal of government transitional grant

The government has confirmed that it does not have any intention in repeating the transitional grant for 2014/15. This means that the Council will have to consider how this funding shortfall of more than £1 million will be met, cognisant of other budget and financial pressures and reductions in government funding.

It should be noted that if the funding shortfall is made up by the Council, the funding mechanism would require the precepting authorities (Fire and Police) to also contribute their share of the shortfall.

Budgets across the Council are already facing significant pressures. Funding this shortfall from existing Council budgets would require a reduction in spend on services to residents in other areas of the Council to fund this gap in government provision.

In the absence of income/savings not being achieved, any shortfall falling on the budget would be a permanent shortfall. It would not be prudent to commit to fund this from reserves which would only provide one-off funding.

This position puts the Council back to its position prior to the offer of the transitional grant. Given the Council’s financial position, there is no alternative but to revise the Council’s Council Tax Support Scheme so that it is less generous and spend is reduced by the amount required to meet the shortfall.

5.2 Proposals for the 2014 Council Tax Support scheme

The proposals that follow have been put forward for consideration based on:

- The impact on residents, particularly those with protected characteristics as determined by Section 149 of the Equality Act.
• The level of savings that could be achieved.
• Easing the administrative burden and saving internal administration and support costs.
• Where possible, not making the scheme more complex to understand.

The proposals are as follows:

It is proposed that the Council’s scheme is modified to recoup the loss in government grant.

**Local Council Tax Support Scheme.**

The recommendations for consultation are:

• Second Adult Discount is withdrawn.
• All awards will be based on 85% of the Council Tax charge for the property. All households will have to pay a minimum of 15% of the Council Tax due.
• The Council will maintain its Discretionary Support Scheme to support vulnerable residents with extreme hardship and support the transition into work for low paid residents.

Given the impact on a large number of families affected as a result of the introduction of the housing benefit social sector size criteria (also known as ‘bedroom tax’), it is proposed not to consult on ‘introducing an element of band capping for the 2014 scheme.

6. **Conclusions**

Given the scale of the loss there will inevitably be some substantial financial impact on some claimants.

The Council has no option but to deliver the new scheme within the timescales in accordance with the available budget.

The Council is unable to cover the loss of government grant from existing resources. As such it is proposed that the Council’s 2013 Council Tax Scheme is amended to be less generous.

6. **Recommendations**

Executive is requested to:

• Note the withdrawal of the government’s transitional grant and the impact on the Council’s scheme.
• Approve the proposals contained in the report and agree to the start of a formal consultation exercise.
• Note that the outcome of the consultation exercise will be reported back to Executive in November 2013

7. **Key Policies and Considerations**
7.1 (a) Equal Opportunities

The scheme which will be consulted upon will operate within the following principles; Compliance with statutory duties

- The Council will comply with its duties in relation to the Equality Duty (Equality Act 2010), duty to mitigate the effects of child poverty (The Child Poverty Act 2010) and the duty to prevent homelessness (The Housing Act 1996)
- The proposals and outcome of the consultation will be subject to a full equality impact assessment

7.2 (b) Risk Management

The changes as proposed are being assessed and maintained in a risk register.

The main risks affecting the Council are financial risks.

There is a level of risk and assumption that has had to be used when producing the figures on which this report is based. This is because the impact of the changes that were implemented in 2013 (changes to Council Tax Support and the amount of Council Tax charged for empty and unoccupied properties) has not been fully analysed or understood. This is mainly because at the time of writing this report the new regimes have only been in operation for three full months and this is not enough time to measure any impact on collection levels, property movement and classification and resident behaviours.

Reducing the amount of Council Tax Support that is paid, results in the poorest residents having to pay more Council Tax at a time when other changes to welfare provision are also impacting on their income levels. Increasing the amount to pay increases the risks to collection levels and may mean that some of the Council Tax that is raised is not collected promptly.

The changes could also create increased demand on the Council Tax Discretionary Payment Scheme.

7.3 (c) Legal Considerations

The legal considerations are contained within the report.
Appendix one- Greater Manchester Councils Council Tax Support Schemes 2013/14

Bolton
- Accepted transitional grant
- Discretionary fund of £400k
- Abolished second adult rebate
- Maximum capital threshold reduced from £16k to £6k
- Earnings disregards halved
- Bands D-H restricted to 91.5% of their CTax
- Maintenance counted as income

Blackpool
- Did not accept transitional grant
- Discretionary fund of £100k
- All awards based on maximum 72.89% of Council Tax due - 27.11% to pay
- Abolished second adult rebate
- No backdating

Bury
- Did not accept transitional grant
- Abolished second adult rebate
- Maximum capital threshold reduced from £16k to £8k
- All awards capped at a maximum of band B
- Minimum weekly award of £1
- Protection for people in receipt of disability benefits, lone parents of children under 5 and those bereaved in last twelve months

Oldham
- Did not accept transitional grant
- No discretionary fund
- All awards based on maximum 75% of Council Tax due -25% to pay
- All awards capped at a maximum of band A
- Abolished second adult rebate

Rochdale
- Did not accept transitional grant
- No discretionary fund
- All awards based on maximum 75% of Council Tax due -25% to pay
- All awards capped at a maximum of band A
- Abolished second adult rebate
- Non dependant deductions doubled
- Taper increased to 30%

Salford
- Accepted transitional grant
- Discretionary fund
- All awards based on maximum 91.5% of Council Tax due -8.5% to pay
- Abolished second adult rebate
- No backdating
• Minimum award of £1 per week
• Non dependant deductions increased by 50pence per week
• Taper increased to 25%

**Stockport**
• Did not accept transitional grant
• Discretionary fund
• Abolished second adult rebate
• All band capped- band A for households less than two children, band B for households with three or more children
• Maximum capital threshold reduced from £16k to £8k
• No backdating
• Minimum award of £1 per week
• Non dependant deductions standardised
• Self employed more than 12 months calculated as HMRC on min wage

**St Helen’s**
• Did not accept transitional grant
• Discretionary fund
• All awards based on maximum 80% of Council Tax due -20% to pay
• Abolished second adult rebate
• Minimum award of £1 per week
• Band capping at band D and above

**Tameside**
• Did not accept transitional grant
• All awards based on maximum 80% of Council Tax due -20% to pay
• Discretionary fund
• Abolished second adult rebate
• No backdating
• Awards capped at maximum of band B
• Changes to non dependant deductions
• Child maintenance no longer disregarded as income
• Changes to taper, disregards and how income is used in the calculation

**Trafford**
• Did not accept transitional grant
• Discretionary fund of £50k
• Abolished second adult rebate
• No backdating
• Band capping at band D and above
• Non dependant deductions increased and new deduction for people on passported benefits
• Child benefit no longer disregarded as income where child is over 5
• Protection for people in receipt of middle/higher rate DLA/PIP

**Wigan**
• Did not accept transitional grant
• No discretionary fund
• All awards based on maximum 80% of Council Tax due -20% to pay
• Maximum capital threshold reduced from £16k to £12k
• No backdating
• Protection for households with children under 5.

**Warrington**
• Accepted transitional grant
• No discretionary fund
• For people on passported benefits awards based on maximum 91.5% of Council Tax due -8.5% to pay
• All others capped at band A