

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**                 **TUESDAY, 18 FEBRUARY 2014**

**REPORT BY:**         **HEAD OF FINANCE**

**SUBJECT:**           **COUNCIL TAX REDUCTION SCHEME  
CONSULTATION**

**1.00   PURPOSE OF REPORT**

- 1.01   To provide Cabinet Members with information on a Welsh Government Consultation seeking views on the review of options for the future of Council Tax support in Wales. The closing date is 5<sup>th</sup> March 2014.
- 1.02   To provide Members with a series of recommended responses, as drafted by officers, on the proposals as set out in Appendix 2 to this report, and seek members support to them.

**2.00   BACKGROUND**

- 2.01   In October 2010, the UK Government announced its intention to abolish Council Tax Benefit (CTB) and cut funding for replacement schemes. CTB was abolished on 31<sup>st</sup> March 2013 and the responsibility for developing a replacement scheme for Wales was taken up by the Welsh Government. The Welsh Government introduced a system for Council Tax Support for 2013-14, and the regulations governing the system for 2014-15 and 2015-16 have recently been approved by the Assembly.
- 2.02   The UK Government has transferred £222 million to the Welsh Government for 2013-14, and will transfer a further £222 million in each of 2014-15 and 2015-16. Thereafter, funding will be included in the overall Welsh budget. The reduction in funding for replacement schemes means this transfer is insufficient on its own to continue to maintain the same level of support as was provided under CTB. The Welsh Government is therefore providing an additional £22 million in 2013-14, 2014-15 and 2015-16 to support local authorities in maintaining entitlements, with authorities meeting the remaining costs.
- 2.03   However, whilst the funding from the UK Government is not increasing, the cost of maintaining entitlements will rise year on year if council tax rises, or the number of eligible applicants increases, placing an increasing financial pressure on the Welsh Government and local authorities, which will become more and more difficult to sustain.

2.04 The Welsh Government are therefore reviewing the options for the future of Council Tax Support (CTS) in Wales, with a view to provide a scheme which is equitable, sustainable, and delivers the maximum protection for low income and vulnerable households within the financial constraints.

### **3.00 CONSIDERATIONS**

3.01 The Welsh Government is supplementing the UK Government funding transfer with an additional £22 million to support Local Authorities in maintaining existing entitlements. However if Council Taxes continue to rise at current rates, by 2015-16 the estimated total cost of maintaining existing levels of CTS could increase to over £260million, around £40 million more than the provision from the UK Government.

3.02 Removal of all support would expose low income households to the full impact of Council Tax. In Flintshire there are currently 12,800 households in receipt of £10.2 million CTS; as a result, the impact of removing support would be significant for local residents and for the Council's ability to collect Council Tax

3.03 The impact of maintaining entitlements through a CTS scheme, in terms of the revenue lost to authorities from households receiving CTS, is likely to fall on local services, which may themselves also be providing support to some of the low income and vulnerable households who benefit from CTS. Equally, reducing entitlement to CTS will have a direct impact on the income of Flintshire's poorest and most vulnerable households at the same time as they are facing reductions in income through the welfare reforms.

3.04 The Welsh Government has identified a range of options for reducing entitlement (Appendix 1). The options will impact in different ways on households currently in receipt of CTS and on local authority revenue. As the cost of maintaining entitlements increases year on year, some of the options presented will not be sufficient to fully offset the shortfall in funding.

### **4.00 RECOMMENDATIONS**

4.01 For Members to note the consultation.

4.02 For Members to consider the recommended responses, as prepared by senior officers within the Revenue and Benefits services, as detailed in Appendix 2 to this report.

## **5.00 FINANCIAL IMPLICATIONS**

- 5.01 Although the Welsh Government funds a significant element of the CTS scheme through the Revenue Support Grant, the Authority is required to fund subsequent increases in Council Tax and any fluctuations in the number of claimants. As such the cost of the current scheme will increasingly become a budget pressure impacting on service provision or requiring significant increases in Council Tax. The expected additional cost to Flintshire in 2014/15 is £0.633m.

## **6.00 ANTI POVERTY IMPACT**

- 6.01 A change to the current scheme will expose low income and vulnerable households to a liability to pay Council Tax, in many cases for the first time due to their financial circumstances. This change is at a time when many are struggling to cope with the impact of other changes to the welfare system.

## **7.00 ENVIRONMENTAL IMPACT**

- 7.01 None.

## **8.00 EQUALITIES IMPACT**

- 8.01 The Welsh Government have completed an equalities Impact assessment of potential options, which will reflect the impact in Flintshire.

## **9.00 PERSONNEL IMPLICATIONS**

- 9.01 None.

## **10.00 CONSULTATION REQUIRED**

- 10.01 The purpose of the report is to provide Members with the opportunity to comment on the consultation proposals.

## **11.00 CONSULTATION UNDERTAKEN**

- 11.01 Feedback from a report to Corporate Resources Overview and Scrutiny Committee on 13<sup>th</sup> February 2014 will be made verbally to Cabinet.

## **12.00 APPENDICES**

- 12.01 Appendix 1 to this report contains the Options being considered by WG
- 12.02 Appendix 2 to this report contains the recommended responses to the latest consultation.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985**  
**BACKGROUND DOCUMENTS**

*2013 Review of Council Tax Support Consultation*

*2012 Council Tax Support in Wales: Equality Impact Assessment*

*2012 Reforming Council Tax Benefit: options for Wales*

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