

Portfolio Holder Decision

Urgent Decision to be taken by the Portfolio Holder for Finance and Property on 27 October 2022

Portfolio Holder	Portfolio Holder for Finance and Property
Date of decision	27 October 2022
	Signed

1. Decision taken

That the Portfolio Holder for Finance and Property approves:

1. Warwickshire County Council's position that it does not support the proposal within the consultation issued by Warwick District Council to increase the relief under their Council Tax Reduction Scheme to provide a 100% rebate; and
2. The sending of the letter at Appendix 1 by the s151 Officer, confirming our response to the consultation and the justification for the County Council's response.

2. Reasons for decisions

On 19 December 2011 the local Government Finance Bill abolished Council Tax Benefit from 1 April 2013, and delegated power to billing authorities to design and implement their own Local Council Tax Reduction Scheme. In April 2014, Warwick District Council amended its scheme so that working age claimants no longer received 100% Council Tax Reduction and the maximum reductions was reduced to 92.5% and then further reduced to 85% from April 2015. This seems to be broadly consistent with a number of the other Districts and Boroughs such as Stratford who currently offer 80% relief and Rugby, and Nuneaton and Bedworth Borough Council who both offer 85%.

The proposal being consulted on by Warwick District Council is to institute a 100% Council Tax Reduction for qualifying residents in order to support them through the current cost of living crisis and forms part of a wider package of measures. Warwick District Council's Cabinet Report of 29 September 2022 approved consulting with the public and preceptors on the proposal.

Warwick District Council explain in their consultation letter that those claiming Council Tax Reduction are amongst the most vulnerable as they are on lowest incomes, and that

as Council Tax is considered a priority debt they fear many will prioritise payment of Council Tax over other bills to avoid sanctions, or if they cannot pay will be subject to additional costs resulting from court action and recovery agents, thus impacting their health and wellbeing.

It should be noted that this proposal does not affect pensioners who will continue to be eligible for up to 100% reduction in their Council Tax as prescribed.

Officers and Cabinet have considered the potential effects of the proposal upon the County Council and the wider public sector within Warwickshire. There are a number of key concerns that have been considered and form the basis of the response at Appendix 1. In summary they are:

1. There is significant and growing uncertainty and pressure on local authority finances, with an increasing likelihood of material public spending cuts on top of demand and inflationary pressures. The WDC proposal creates an additional pressure of £0.764m for the County Council, which could rise to almost £4m if all other district and borough councils do the same. The impact may also rise given the challenging economic conditions, and therefore more people become eligible, with a £16k cost for every additional 100 eligible people. The County Council would be forced to find additional savings over the next five years on top of the £55m already planned in our Medium Term Financial Strategy and the £15m extra requirement directly resulting from the impact of the cost-of-living crisis on our finances. Given the services we provide, these additional reductions in spending would directly impact the most vulnerable in our communities, such as children, older people and adults with learning disabilities. Many of these residents will be highly exposed to cost-of-living pressures and therefore most in need of our services
2. Costs and demand levels for County services, especially in social care and education, are rising significantly due to inflation and in part as a direct result of cost-of-living pressures tipping more vulnerable people into crisis. In addition to this, we also face significant uncertainty about the timing, resourcing, and costs, of the Government's Adult Social Care reforms. In this context, we feel that it would be imprudent and unsustainable to add a further 0.3% budget pressure to the County Council's already very challenging financial position moving forward.
3. It is unclear from the consultation whether it is a time-limited change or permanent. There is significant concern around how any change could be reversed to avoid it becoming a permanent pressure requiring equivalent permanent savings. If the County was faced with this level of funding reduction on an on-going basis it would inevitably lead to service cuts and reduced investment, most likely starting in discretionary services areas. This is likely to have a direct knock on to Districts and Borough Councils, including support for growth, levelling up and climate change.
4. We have a general concern about the financial resilience and sustainability of all Warwickshire's councils, and local government services generally. We are very concerned that this decision could create a long-term pressure on the financial sustainability of local government services across the whole county as well as in Warwick District, which would negatively affect residents across the county and all five districts and boroughs.

5. As a point of principle, we feel that working people should contribute something towards the cost of local services, rather than paying nothing. There is an issue of equity here, and we are aware other sectors like utilities adopt a similar approach, for example Severn Trent Water's Big Difference Scheme offers up to a 90% reduction on bills for those on low incomes.
6. As an Authority we have also consistently opposed having inconsistent LCTS schemes across the different District and Borough Councils in Warwickshire. We continue to be of the view that we do not think it is right that the same household should make a different contribution to the cost of our services depending on where the household is located. We strongly believe the more significant divergence of schemes operating across Warwickshire caused by this decision would be inequitable.
7. There is a wide range of support nationally and locally already targeted at those most at risk from the cost-of-living through national benefits, the Government's various energy support schemes, the £3.47m Household Support Fund and discretionary local support funded by the County Council such as the Warwickshire Local Welfare Scheme. In October, Warwickshire County Council's Cabinet approved a range of additional measures, including a locally funded one-off package of up to £1m for cost of living. This package, designed to be taken forward in close partnership with district and borough councils and other partners, includes support for food banks, extension of the community pantries (the largest of which is in Lillington in Warwick District), the creation of a network of warm hubs and additional resources for advice agencies. In the context of the challenges of balancing our Medium-Term Financial Strategy, there is a risk that we would have to withdraw or reduce this additional support to fund this change in Warwick District Council's Local Council Tax Reduction Scheme. This impact would be particularly inequitable in terms of other District and Borough residents who may then lose access to the additional support from the £1m investment across the whole County.
8. The scale of current cost-of-living pressures will affect almost everyone in Warwickshire. There will be much hidden hardship, in particular for people with assets but who lack liquidity or are highly indebted. Creating a permanent financial pressure will reduce the medium-term scope for the County Council to reduce Council Tax for everyone when the economic situation recovers, which could entrench some of the less visible hardship across the County.

Consequently, the consultation response is clear that for the reasons set out above, the County Council does not support the proposed increase in the Local Council Tax Reduction Scheme for Warwick District Council.

Financial implications

If Warwick District Council chose to adopt the proposed change in the consultation, Warwickshire County Council would lose at least £764k per year, for as long as the change remains in place. This would increase by a further £16k for each additional 100 people who fall under the scheme, and increases could well occur if the current cost of living crisis sustains as expected or if the economic circumstances worsen. If all five District and Borough Council's chose to implement the same change the County would face nearly a £4m annual shortfall in funding.

The loss of Council Tax funding in the short term would impact reserves and further limit investment choices. On-going loss of this funding would require additional savings in our Medium-Term Financial Strategy, which is already proving challenging to balance. This is one of the key reasons for not supporting the proposal in the consultation.

Environmental implications

There are no direct environmental implications arising from this report. As noted in the financial implications section, reductions in receipts from Council Tax will impact on available funding and potentially lead to reduced investment in areas that might impact the net zero ambitions of the County Council.

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Portfolio Holder	Councillor Peter Butlin Portfolio Holder for Finance and Property

Urgent matter?	No
Confidential or exempt?	No
Is the decision contrary to the budget and policy framework?	No

List of background papers

WDC Cabinet Report
Letter from Warwick District Council

Members and officers consulted and informed

Legal – Nichola Vine, Strategy and Commissioning Manager, Legal and Democratic

Finance – Andrew Felton, AD Finance, Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)

Strategic Director – Rob Powell, Strategic Director for Resources

Councillors

Adrian Warwick (Chair of Resources Fire and Rescue OSC), Group Leaders, Councillors Margaret Bell, Andy Crump, Andy Jenns, Jeff Morgan, Wallace Redford, Izzi Seccombe, Heather Timms and Martin Watson.

John Cooke, Judy Falp, Bill Gifford, Jan Matecki, Will Roberts, Sarah Boad, Jackie D'Arcy, Tracy Drew, Sarah Millar, Parminder Birdi and Rik Spencer