

## **For publication**

### **Local Council Tax Support Scheme 2017/18**

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Meeting: Council

Date: 14<sup>th</sup> December 2016

Report by: Director of Finance & Resources

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#### **1.0 Purpose of report**

1.1 To gain approval for the Local Council Tax Support (LCTS) scheme to apply in 2017/18.

#### **2.0 Recommendations**

2.1 That Council agrees to continue with the current Local Council Tax Support scheme for 2017-18. The scheme is based on The Council Tax Reduction Scheme England Regulations 2012 amended to reflect the following local decisions concerning the key principles of the scheme:

- For those of working age the maximum amount of Council Tax that will be eligible for reduction is 91.5% of their full Council Tax Liability.
- The Council continues its policy of disregarding war pensions for the purposes of calculating income in respect of the Local Council Tax Support scheme.
- The 'taper', i.e. the rate at which support is withdrawn as income increases be maintained at 20%.

2.2 That the Director of Finance and Resources be granted delegated powers to update the 2017/18 scheme to reflect such up-ratings of

premiums, allowances and non-dependent deductions as may be determined by the Department of Work and Pensions, and for other minor technical changes which may be required.

- 2.3 That the current local council tax discounts, which were originally implemented in 2013/14, be continued (para. 3.4).

### **3.0 Background**

- 3.1 Prior to April 2013 central government funded the actual cost of the Council Tax Benefit scheme (CTB). In the 2010 Spending Review the Government announced its intention to introduce a Localised Council Tax Support Scheme (LCTSS) from April 2013 to replace the national CTB scheme.
- 3.2 As part of a wider package of public expenditure reductions and reforms to the welfare benefit system the proposals were required to deliver a 10% reduction in expenditure. The Council implemented a local scheme in respect of 2013/14 which required property occupiers of working age to pay at least the first 8.5% of the Council Tax liability for their property. Those of pensionable age continued to receive up to 100% support.
- 3.3 Under the localised arrangements local councils were required to manage the 10% reduction in Government support and in future years to absorb the burden of any additional funding required should caseloads and costs increase. These additional financial costs are shared between the precepting authorities through the mechanisms of the Collection Fund, which based on the 2016/17 precepts gives the following shares: Derbyshire County Council (73.9%), the Borough Council (9.5%), the Police Authority (11.2%), Fire and Civil Defence (4.5%) and the Parish Councils (0.9%).
- 3.4 To help mitigate the 10% funding reduction, the Council agreed a number of changes to other Council Tax discounts and exemptions from April 2013. The changes included:
- A local discount of 100% for vacant properties, which would previously have qualified for an exemption under class C, for periods of up to three months. A three month discount (reduced from six months) was agreed to avoid having to collect small amounts of debt which would arise as residents

sold or moved property. In a situation where a property becomes occupied or furnished for a period of 6 weeks or less it will only be eligible to receive discount for any of the original three month period which remains.

- A local discount of 100% for properties which are uninhabitable due to them requiring or undergoing major structural repairs or alterations that would have previously qualified for exemption under class A for a period of up to 12 months was also agreed. While this exemption is unchanged it has now become a locally determined discount.
- Removal of the residual 10% discount for second homes.
- A 150% charge for property empty for more than 2 years.

3.4 This report and its recommendations are due to be considered by Cabinet at its meeting on 13 December, 2016.

#### **4.0 Previous Years' Schemes**

4.1 The key statistics to note include:

- The number of working age people receiving support has reduced from 6,438 on 1<sup>st</sup> April 2013 to 5,996 as at 28<sup>th</sup> November 2016; a reduction of 442 or 6.9%.
- The number of pensioners receiving support has reduced from 5,342 on 1<sup>st</sup> April 2013 to 4,324 as at 28<sup>th</sup> November 2016; a reduction of 1018 or 19.1%.
- The number of households receiving support has reduced from 13,925 in 2013/14 to 10,320 in 2015/16 (to date); a reduction of 3,605 or 25%.
- The value of the support given has reduced from £8.24m in 2013/14 to £7.98m in 2016-17 to date; a reduction of £256k or 3%.
- The collection rate for the element of tax that is payable by those who previously received 100% Council Tax Benefit was 71% for 2013/14, 80% for 2014/15, 85% for 2015/16 and 67% to date for 2016/17.

4.2 The collection rates achieved to date, whilst in excess of the 67% collection rate forecast originally assumed when the local scheme

was first introduced, is nevertheless well below the rate for the other Council Tax payers of above 97%.

## **5.0 Proposed Scheme for 2017/18**

- 5.1 Welfare Reform changes to the benefits and tax credits people can receive continues. There is a three year freeze on working age benefit increases. Because the allowances and premiums used to assess Council Tax Support for working age claimants mirror those in Housing Benefit, this freeze applies to working aged Council Tax Support recipients also. There is also the extension of the benefit cap to more households as the total amount of benefit income (excluding CTS) has reduced from 7<sup>th</sup> November. This means that currently 80 households in Chesterfield are subject to Housing Benefit restrictions compared to 12 cases before the 7<sup>th</sup> November. The Implication on Council Tax Support expenditure of other benefit reductions is being monitored. It is difficult to forecast what the financial impact on the CTSS would be and what mitigating actions might be required.
- 5.2 If the Council plan to make any significant changes to the scheme there is a legal duty to consult stakeholders and to undertake an equalities impact assessment, an exercise that would take a few months to do properly. In view of these uncertainties and constraints it is proposed to leave the scheme unchanged for 2017/18.
- 5.3 The experience of the schemes in previous years has also been a key consideration in arriving at the recommendation to continue with the current scheme for 2017-18. The collection rate at 31<sup>st</sup> March 2016 at 85% has surpassed our initial forecast of 67% when the scheme was first introduced. If the minimum contribution rate is increased above the current 8.5% level the contributions would inevitably become more difficult to collect and could become uneconomic to recover.
- 5.4 The operation of the scheme depends upon the premiums, allowances and non-dependent deductions for the elderly being uprated in accordance with figures provided by the Department for Work and Pensions. For working age claimants, the premiums and allowances are uprated in accordance with those provided by the DWP for Housing Benefits and the non-dependent deductions are

the same as those for elderly cases. It is recommended that delegated powers are granted to the Director of Finance and Resource to amend the 2017/18 local scheme with the relevant details. In addition to these specific delegations it is considered appropriate that the delegation should be extended to cover other minor technical changes where amendment of the scheme may be necessary during the course of the financial year in order to ensure that the local scheme reflects accepted practice and DWP guidance.

- 5.5 Given the continued financial pressures on the Council's finances it is also recommended that the Council Tax Discounts and Exemptions outlined in paragraph 3.4 be maintained at their current levels. While these measures do create an added financial burden for the tax payers affected they do, nevertheless, act as incentives to bring property into use.
- 5.6 The Council will continue to work with individuals and the local advice agencies to ensure that those experiencing difficulties paying will receive appropriate advice and support.
- 5.7 The impact of the welfare, tax and living wage changes will be monitored throughout 2017-18 to enable a review of the options in good time for setting the scheme for 2018-19.

## **6.0 Financial Considerations**

- 6.1 Local Council Tax Support will be calculated using 91.5% of the Council Tax liability, leaving residents of working age to pay a minimum of 8.5% themselves. Assuming they were living in a Band A property then the Council Tax Liability would be in the region of £88.59 per annum (£1,042.21 x 8.5%) for a couple or £66.44 per annum (£88.59 less 25% discount) for a single person, before any award of CTS. Those of pensionable age will be eligible for CTS of up to 100% of their council tax liability.
- 6.2 Continuing with an 8.5% minimum contribution rate will mean that part of the cost of the Local Scheme will fall upon the Council, rather than being passed on to those of working age. A key factor in this decision has been that if the full cost of the reduction in Central Government support were passed on to claimants the amount due may well become uncollectable. On

the basis of evidence to date a Council Tax liability of 8.5% for those of working age is a collectable amount in most cases, with a recorded collection rate of 85% in previous financial years.

- 6.3 If Council adopts the recommended approach then the income that will be generated from charging a minimum of 8.5% Council Tax to those of working age on benefits is estimated to be some £510k after an assumed non-collection rate of 15%. The income will be shared amongst the precepting authorities.
- 6.4 It is not possible to quantify precisely what the LCTSS costs because the major element of funding, Government grant, is no longer separately identified but is now combined into the overall Funding Settlement. The Settlement Funding amount continues to reduce each year as part of the Government's austerity measures. In the first year of the scheme (2013/14), when the funding was separately identified, it was estimated that the net cost of the scheme, after Government funding, was £1.1m. Of the £1.1m, it was estimated that the changes to other discounts and the requirement to pay the first 8.5% would reduce the net cost down to £0.4m which was then to be shared amongst the precepting authorities through the mechanics of the Collection Fund. It should also be noted that as case load decreases, which has happened each year since 2013/14, this will increase the Tax Base and increase the overall tax raising capacity. It is estimated that by 2016/17, 584 Band 'D' equivalent properties will have been added to the Tax Base since the first year of the CTSS (2013/14), potentially generating over £0.8m additional income to the Collection Fund.
- 6.5 In 2013/14, £66k of the CTS funding which the Council received was earmarked as relating to the parish councils and this amount was paid over to the parishes. In setting the Budget it was agreed that the parish funding would be phased out over a period of ten years to reflect the fact that the Council's funding was being reduced.

## **7.0 Legal and data protection implications**

- 7.1 Sections 9 to 12 of the Local Government Finance 2012 give the Council the necessary legal powers to implement the proposals made in this report regarding the Local Council Tax Support Scheme and other Council Tax discounts.
- 7.2 The Council Tax Support Scheme will need to be adopted by 31<sup>st</sup> January each year and will be required to meet the requirements as set out by legislation.
- 7.3 The Local Council Tax Support Scheme and changes to council tax discounts must be advertised within 21 days of the decision to adopt them being made.

## 8.0 Equalities Issues

8.1 Council tax support is intended to provide financial support to some of the most vulnerable groups in society. The Government has already given a commitment to protect those of state pension age but does not intend to prescribe in statute which other vulnerable groups must be protected. Instead, local authorities are expected to take into account existing duties in relation to vulnerable groups in designing their schemes. The following duties must therefore be considered:

- The public sector Equality Duty;
- The duty to mitigate the effects of child poverty; and
- The duty to prevent homelessness.

A full Equalities Impact Assessment (EIA) was prepared prior to the implementation of the original scheme in 2013/14 and this was reported to the Council as part of the process of adopting the scheme.

## 9.0 Risk management

9.1 The key risks are summarised in the table below:

Description of Risk			Mitigating Actions	Residual	
	Impact	Likelihood		Impact	Likelihood
Government funding is fixed but demand	High	Possible	Prudent assumptions	Medium	Possible

<p>for support could increase from:</p> <ul style="list-style-type: none"> <li>• Pensioners as the stigma of 'benefit' removed.</li> <li>• Job shock in the local economy eg major employer goes out of business.</li> <li>• Pensioners because they are living longer</li> <li>• Other welfare reforms affect the incomes of those in receipt</li> <li>• Higher levels of Council Tax required to achieve a balanced budget</li> </ul>			about take-up.		
<p>Reduced demand for support from:</p> <ul style="list-style-type: none"> <li>• Working age claimants as the economy recovers and more people move into work;</li> <li>• Declining pensioner caseloads.</li> </ul>	Medium	Possible	Monitor trends	Medium	Likely
<p>Difficulties in collecting the amounts due.</p>	Medium	Definite	<p>Flexible recovery procedures.</p> <p>Spread the risk by funding the grant cut from a variety of measures.</p>	Medium	Likely
<p>Tax avoidance</p>	Medium	Possible	<p>Rigorous and adequately resourced validation and recovery procedures.</p>	Low	Possible

## 10.0 Recommendations



10.1 That Council agrees to continue with the current Local Council Tax Support scheme for 2017-18. The scheme is based on The Council Tax Reduction Scheme England Regulations 2012 amended to reflect the following local decisions concerning the key principles of the scheme:

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10.2 That the Director of Finance and Resources be granted delegated powers to update the 2017/18 scheme to reflect such up-ratings of premiums, allowances and non-dependent deductions as may be determined by the Department of Work and Pensions, and for other minor technical changes which may be required.

10.3 That the current local council tax discounts, which were originally implemented in 2013/14, be continued (para. 3.4).

## **11.0 Reasons for recommendations**

11.1 To ensure that the Council is able to continue to operate a localised scheme providing council tax support from April 2017.

### **Decision information**

<b>Key decision number</b>	<b>687</b>
<b>Wards affected</b>	<b>All</b>
<b>Links to Council Plan priorities</b>	To provide value for money services.

### **Document information**

<b>Report author</b>	<b>Contact number/email</b>
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<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>None</i>	