

## **FOR PUBLICATION**

### **LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16 - S000**

**MEETING:** FULL COUNCIL

**DATE:** 16 DECEMBER 2015

**REPORT BY:** CHIEF FINANCE OFFICER

**WARD:** All

**COMMUNITY FORUM:** All

**KEY DECISION No:** 575

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#### **FOR PUBLICATION:**

#### **BACKGROUND PAPERS:**

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#### **1. PURPOSE OF REPORT**

- 1.1 To gain approval for the Council Tax Support (CTS) Scheme to apply in 2016/17.

#### **2. RECOMMENDATIONS**

- 2.1 That Council agrees to continue with the current Council Tax Support scheme for 2016/17. 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 Council Tax reduction scheme at a total estimated cost of £16k.
- The 'taper', i.e. the rate at which support is withdrawn as income increases be maintained at 20%.

- 2.2 That the Chief Finance Officer be granted delegated powers to update the 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. 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 Council Tax Benefit 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 2013/14 which required a property occupier 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 will not receive any additional funding if caseloads and costs increase. The burden of the additional financial costs are shared between the precepting authorities through the mechanisms of the Collection Fund, which based on the 2015/16 precepts gives the following shares: Derbyshire County Council (73.7%), the Police Authority (11.4%), Fire and Civil Defence (4.6%), the Borough Council (9.5%) and the Parish Council's (0.8%).
- 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 class A for a period of up to 12 months. 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.

3.5 This report and its recommendations are due to be considered by Cabinet at its meeting on 15 December, 2015.

#### 4. PREVIOUS YEARS' SCHEMES

4.1 Some statistics on the support schemes that have operated in previous financial years are included in **Appendix A**. The key points to note include:

- The number of working age people receiving support has reduced from 6,438 on 1<sup>st</sup> April 2013 to 6,044 as at 30<sup>th</sup> November 2015; a reduction of 394 or 6%.
- The number of pensioners receiving support has reduced from 5,342 on 1<sup>st</sup> April 2013 to 4,659 as at 30<sup>th</sup> November 2015; a reduction of 683 or 13%.
- The number of households receiving support has reduced from 13,925 in 2013/14 to 12,406 in 2015/16 (to date); a reduction of 1,519 or 11%.
- The value of the support given has reduced from £8.24m in 2013/14 to £7.98m in 2015/16; 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 and 63% to date for 2015/16.

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 which is above 96%.

## **5. PROPOSED SCHEME FOR 2016/17**

- 5.1 In the 2015 Summer Budget the Chancellor announced a number of proposed welfare reductions together with changes to tax thresholds and the living wage. Any change to the level of welfare benefits and earnings/income will impact on the number of residents that can claim CTS and the level of the award. A reduction in income due to welfare cuts could trigger eligibility for or an increased entitlement to Council Tax Support. The announcement, however, created a number of uncertainties, such as when and how the tax credit changes will be implemented and how people will react to them, for example they could then seek to increase their income by working additional hours. This made it difficult to forecast what the financial impact on the CTSS would be and what mitigating actions might be required.
- 5.2 If the Council planned 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 the thinking at that time was that no changes to the scheme would be put forward for 2016/17. This approach was discussed and agreed at a meeting of the Derbyshire Finance Officers Association in October.
- 5.3 In the Spending Review announcement on 25<sup>th</sup> November the Chancellor reported that the planned reductions to tax credits would not now take place. This decision removed most of the risk of an increasing costs falling on the LCTSS as a result of welfare cuts in 2016/17.
- 5.4 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 2016/17. The collection rate in 2014/15 at 80% has surpassed the 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.
- 5.5 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 updated 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 Chief Finance Officer to amend the 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.

- 5.6 Given the continued financial pressures on the Council's finances it is also recommended that the Council Tax Discounts and Exemptions outlined in paragraph 3.3 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.
- 5.7 The Council will continue to work with individuals and the local advice agencies to ensure that those experiencing difficulties paying will have access to appropriate advice and support.
- 5.8 The impact of the welfare, tax and living wage changes will be monitored throughout 2016/17 to enable a review of the options in good time for setting the scheme for 2017/18.

## **6. 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 their minimum Council Tax Liability would be in the region of £85.50 per annum (£1,005.83 x 8.5%) for a couple or £64.12 per annum (£85.50 less 25% discount) for a single person. 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 80% in the last financial year.

- 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 £500k after an assumed non-collection rate of 80%. 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 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.
- 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 for 2014/15 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 CONSIDERATIONS**

- 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 CONSULTATION AND COMMUNITY ENGAGEMENT**

- 8.1 There was a full communications and engagement plan developed and implemented in partnership with other Derbyshire authorities during the autumn of 2012.
- 8.2 The major preceptors were advised of the proposal to leave the scheme unaltered for 2016/17 at a meeting of the Derbyshire Finance Officers Association in October 2015. To formally complete the consultation process an email was sent to the Directors of Finance for each of the authorities, a copy of this and their responses is included in **Appendix B**.

## **9.0 EQUALITIES ISSUES**

- 9.1 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.

## 10.0. RISK MANAGEMENT

10.1 The key risks are summarised in the table below:

Description of Risk			Mitigating Actions	Residual	
	Impact	Likelihood		Impact	Likelihood
<p>Government funding is fixed but demand 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>	High	Possible	Prudent assumptions about take-up.	Medium	Possible
<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



Tax avoidance	Medium	Possible	Rigorous and adequately resourced validation and recovery procedures.	Low	Possible
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## 11.0 RECOMMENDATIONS

11.1 That Council agrees to continue with the current Council Tax Support scheme for 2016/17. 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 Council Tax reduction scheme at a total estimated cost of £16k.
- The ‘taper’, i.e. the rate at which support is withdrawn as income increases be maintained at 20%.

11.2 That the Chief Finance Officer be granted delegated powers to update the 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.

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

## 12.0 REASON FOR RECOMMENDATION

12.1 To ensure that the Council is able to continue to operate a localised scheme providing council tax support from April 2016.

**B DAWSON**  
**CHIEF FINANCE OFFICER**

Further information on this report can be obtained from  
Barry Dawson, Chief Finance Officer (ext. 5451)

## LCTSS Statistics 2013/14 to 2015/16

	2013/14	2014/15	2015/16	
	<u>1<sup>st</sup> April</u>	<u>1<sup>st</sup> April</u>	<u>1<sup>st</sup> April</u>	<u>30<sup>th</sup> Nov</u>
<b><u>Caseload:</u></b>				
- Working age	6,438	6,411	6,326	6,044
- Pension age	5,342	5,089	4,843	4,659
- Total	11,780	11,500	11,169	10,703
- Change year on year		-280	-331	-466
- Cumulative change		-280	-611	-1,077
<b>Support Granted</b>	£8,239k	£8,146k		£7,984
- Change year on year		-£93k		-£162k
- Cumulative change		-£93k		-£255k
<b>Collection Rate – to date</b>	71%	80%		63%

**CONSULTATION WITH MAJOR PRECEPTORS**

**e-mail to the Directors of Finance (Derbyshire CC, Police and Fire Authorities) 3<sup>rd</sup> December 2015.**

I am drafting a report for the full Council meeting on 16<sup>th</sup> December recommending no changes to the Council Tax Support Scheme for 2016/17. This will continue the requirement for those of working age and on benefit to pay a minimum of 8.5% of their council tax bill.

I would, therefore, appreciate it if you could let me have your comments on the above proposal as soon as possible.

**E-mail sent:**

**Responses Received:**

**Peter Handford, Director of Finance, Derbyshire County Council – 3<sup>rd</sup> December 2015**

I note the approach taken and am happy with it.

**Terry Neaves, Director of Finance, Derbyshire Constabulary – 4<sup>th</sup> December 2015**

Our stance is always that we do not want the Police to subsidise this scheme.

Nevertheless, we are pleased that there is not any further worsening of the level of subsidy to be provided.

**Simon Allsop, Director of Finance/ Treasurer, Derbyshire Fire and Rescue Service – xx<sup>th</sup> December 2015**

I am happy with the continuation of the policy.