

FOR PUBLICATION

LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16 - S000

MEETING: COUNCIL

DATE: 17 DECEMBER 2014

REPORT BY: CHIEF FINANCE OFFICER

WARD: All

COMMUNITY FORUM: All

KEY DECISION No: 455

FOR PUBLICATION:

BACKGROUND PAPERS: Local Council Tax Support Scheme 2013

1. PURPOSE OF REPORT

1.1 To gain approval for the Council Tax Support (CTS) Scheme for the next financial year (2015/16).

2. RECOMMENDATIONS

2.1 That Council agrees to continue to operate a local Council Tax Support Scheme for 2015/16 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 (£84 for a Band A property).

- 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- The 'taper', i.e. the rate at which support is withdrawn as income increases be maintained at 20%.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 local council tax discounts originally agreed for 2013/14 be continued (para. 4.1).

3. BACKGROUND

- 3.1 In the 2010 Spending Review the Government announced its intention to introduce a localised system for Council Tax Support from April 2013 to replace the national Council Tax Benefit (CTB) scheme. 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 an appropriate scheme in respect of 2014/15. This report seeks the agreement of Council to continue to operate the 2014/15 arrangements, subject to amendments noted, in the new financial year (2015/16).
- 3.2 Under the arrangements prior to April 2013 central government funded the actual cost of the CTB scheme. Under the localised arrangements from April 2013 not only are local councils required to fund 10% of the cost, the risk of any increase in the cost of the scheme also falls upon local authorities. The burden of the additional financial costs are shared between the precepting authorities through the Collection Fund, which based on the 2014/15 precepts gives the following shares: Derbyshire County Council (73.5%), the Borough Council (9.7%), the Police Authority (11.4%), Fire and Civil Defence (4.6%) and the Parish Council's (0.8%).
- 3.3 As part of the funding arrangements for the first year a range of measures, amending the discounts and exemptions for Council Tax, were introduced in order to protect the levels of income to the precepting authorities. It was possible to adjust these discounts and exemptions because the Government amended the relevant

regulations. These changes – which mitigated part of the loss of income from the reduction in Government support - 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.
- 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 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 was considered by Cabinet at its meeting on 2 December, 2014 and it was resolved that the recommendations be supported and submitted to Full Council for approval (Cabinet Minute No. 129, 2014/15)

4. PROPOSED LOCAL COUNCIL TAX SCHEME 2015/16

4.1 The scheme that is recommended to the Council for adoption in respect of the next financial year (2015/16) is unchanged from that in 2014/15. The key features of the proposed scheme are as follows:

- 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 £84 p.a. (£988.17 x 8.5%) for a couple or £63 p.a (£84 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.
- The Council continues to charge 100% in respect of Empty Homes and Holiday Properties.
- The Council allows a local discount of 100% on the requirement to pay for unoccupied and unfurnished properties for a period of 3 months. 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. Those properties that are uninhabitable due to them requiring or undergoing major structural repairs or alterations (that would have previously qualified for exemption class A) continue to benefit from an exemption for a period of up to 12 months.

- Removal of the residual 10% discount for second homes.
- A 50% surcharge will continue to apply to properties empty for more than 2 years.

4.2 The major preceptors have been consulted on this proposal and a copy of the e-mail sent to them and their responses is attached at **Appendix A**.

4.3 It should be noted that 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 (DWP). 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 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.

4.4 The Council has experience of operating the recommended scheme over the course of the current financial year and it would appear to have a number of advantages over alternative arrangements. In the first place the scheme is in line with that operated by other councils in the area. This avoids confusion amongst local residents and ensures that we do not create an incentive for individuals to move from one council to another purely to optimise their position in respect of the welfare system. Secondly, the current arrangements appear to operate relatively well and the available evidence supports the view that Council Tax at a level of some 8.5% is collectable. The collection rate to date (17 November 2014) for those paying Council Tax for the first time is:

- a) 79% in respect of the 2013/14 charge (the first year of the scheme); and
- b) 54% in respect of the current year's charge against a target for the full year of 67%.

Likewise, the revision to the Discounts and Exemptions has bedded in and is operating satisfactorily.

4.5 Officers have monitored the performance of the current arrangements during 2014/15 and have considered the views and representations from the range of people affected by the scheme. In considering the recommendation to extend the current scheme into 2015/16 Council may wish to note the following:

- Since 2014/15 the level of financial support for CTS has been incorporated into the Revenue Support Grant (RSG) totals and is no longer separately identifiable. The forecast RSG for 2015/16 has been reduced significantly (33%).
- 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.
- Given the pressure on the public bodies concerned, the retention of the revised policy in respect of Discounts and Exemptions is considered to be appropriate. While these measures will have resulted in a financial burden for some local residents they do provide incentives to make more effective use of Empty Property.

4.6 While the existing scheme, on which the recommended scheme for 2015/16 is based, has been subject to some criticism by some individual adversely impacted by it, the scheme has generally worked well. The Council has continued to work with a number of local advice and welfare organisations and has addressed issues which have arisen in individual cases. While there is an awareness of the financial difficulties that have been caused to those affected the Council has worked with those individuals to ensure that they are given appropriate advice and support. This includes referrals to advice agencies who can assist in the return to paid employment, or who can provide financial advice and support. Prior to its introduction the local scheme was subject to a comprehensive programme of consultation which indicated that it was perceived as an appropriate option. Locally most local authorities adopted a similar scheme and are intending to retain that scheme for the coming financial year. Remaining in line with other authorities in the area does have a number of advantages in respect of helping local residents to understand the operation of the scheme.

5. FINANCIAL CONSIDERATIONS

- 5.1 The financial implications are set out throughout this report. Officers are already working on developing a budget for 2015/16 based upon the assumption that Council will accept the recommendations contained within this report. On the basis of the work that has been undertaken to date it would appear to be reasonable to conclude that the Local Council Tax Support Scheme as outlined within this report is a pragmatic option for the Council. While the approach adopted does 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 on benefit a clear factor in this decision has been that if the full cost of the reduction in Central Government support were passed on to those in receipt of benefit then the associated Council Tax liability may well become uncollectable. On the basis of evidence to date a Council Tax liability of 8.5% for those of working age on benefits is a collectable amount in most cases, with an estimated non-collection rate of 33%.
- 5.2 In considering this report Members also need to take into account that the recommendations have an impact on the other local authorities operating within this area. The County Council, the Police Authority, Fire and Civil Defence and the Parish Council's will continue to see a reduction in their potential income from Council Tax as a result of the recommendation not to seek to fully recover the loss of central government support for Council Tax payment to those on benefits. It does, however, need to be recognised that to increase beyond the level of an 8.5% charge may result in a significant increase in non collection rates and in administration costs. These are likely to undermine any financial gain which may result from an increase beyond the 8.5% recommended.
- 5.3 If Council adopts the recommended approach then the income that will arise to this Council from charging a minimum of 8.5% Council Tax to those of working age on benefits is estimated to be some £536k after an assumed non-collection rate of 33%. The income will be shared amongst the local authority bodies in the area with £397k going to the County Council, £62k to the Police Authority, £25k to the Fire Authority and £52k retained by the Council.
- 5.4. Whilst more income could potentially be raised by increasing the minimum contribution level, it is considered that adopting this policy would significantly increase the level of non recovery. Accordingly, this is not considered to be an appropriate policy to adopt.

- 5.5 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. 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 found by the precepting authorities through the mechanics of the Collection Fund. It should also be noted that as case load decreases this will increase the Tax Base and increase the precepting authorities' tax raising capacity. It is estimated that by 2015/16, 363 Band 'D' equivalent properties will have been added to the Tax Base since the first year of the CTSS (2013/14), generating over £0.5m.

6.0 LEGAL CONSIDERATIONS

- 6.1 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.
- 6.2 The Council Tax Support Scheme will need to be adopted by 31st January each year and will be required to meet the requirements as set out by legislation
- 6.3 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.

7.0 COMMUNITY ENGAGEMENT

- 7.1 There was a full communications and engagement plan developed and implemented in partnership with other Derbyshire authorities during the autumn of 2012.

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 current scheme and 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 for support could increase from: <ul style="list-style-type: none"> • Pensioners as the stigma of 'benefit' removed. • Job shock in the local economy eg major employer goes out of business. • Pensioners because they are living longer • Other welfare reforms affect the incomes of those in receipt • Higher levels of Council Tax required to achieve a balanced budget 	High	Possible	Prudent assumptions about take-up.	Medium	Possible
Reduced demand for support from: <ul style="list-style-type: none"> • Working age claimants as the economy recovers and more people 	Medium	Possible	Monitor trends	Medium	Likely

move into work; • Declining pensioner caseloads.					
Difficulties in collecting the amounts due.	Medium	Definite	Flexible recovery procedures. Spread the risk by funding the grant cut from a variety of measures.	Medium	Likely
Tax avoidance	Medium	Possible	Rigorous and adequately resourced validation and recovery procedures.	Low	Possible
Arvato's ability to achieve performance targets due to increased workload.	Medium	Likely	Discussions ongoing with Arvato. Performance will continue to be monitored.	Low	Unlikely

10.0 RECOMMENDATIONS

10.1 That Council agrees to continue to operate a local Council Tax Support scheme for 2015/16 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 (£84 for a Band A property).
- 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%.

10.2 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.

10.3 That the local council tax discounts originally agreed for 2013/14 be continued (para. 4.1).

11.0 REASON FOR RECOMMENDATION

11.1 To ensure that the Council is able to continue to operate a localised scheme providing council tax support from April 2015.

B DAWSON
CHIEF FINANCE OFFICER

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

E-mail sent:

E-mail to the Directors of Finance (Derbyshire CC, Police and Fire Authorities) 10th November 2014.

I am drafting a report for the full Council meeting in December recommending no changes to the Council Tax Support Scheme for 2015/16. This will continue the requirement to pay the first 8.5% of the bill.

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

Responses Received:

Peter Handford, Director of Finance, Derbyshire County Council – 18th November 2014

We have discussed your proposal informally. We have no objection to your proposal on the basis that it results in no change.

Terry Neaves, Director of Finance, Derbyshire Constabulary – November 2014

No comments from me on this, other than my previous ones i.e. we would not expect to provide support from the police budget for this scheme but understand that the decision ultimately rests with your council.

Simon Allsop, Director of Finance/ Treasurer, Derbyshire Fire and Rescue Service – November 2014

I am happy with the proposal.