
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	13th OCTOBER 2016	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/revenues and benefits/council tax support scheme/2017 18 scheme/report to consider changes – Oct 16
SUBJECT:	PROPOSED LOCAL COUNCIL TAX SUPPORT SCHEME 2017/18	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendation

- 1.1 That the existing Local Council Tax Support Scheme currently in place is continued and adopted for 2017/18.
- 1.2 That the detailed parameters are reported to Full Council on 19th January 2017.
- 1.3 That the current Compensation Grant, associated with the Council's Support Scheme, paid to Parish Councils is reviewed and any changes are notified to Parish Councils by 31st December 2016.

2.0 Purpose of Report

- 2.1 To review the current Local Council Tax Support Scheme ahead of 2017/18, in order for the detailed framework to be publicised in January 2017.

3.0 Detail

Background

- 3.1 Following the abolition of the national benefits scheme for Council Tax on 31st March 2013, the Council implemented a local support scheme in its place which was implemented on 1st April 2013. From this date, support for Council Tax was no longer a benefit but a discount alongside those for single persons and empty properties, etc.
- 3.2 However, the detailed parameters of the local scheme were largely based on the out-going national benefits system in order to continue to calculate entitlement. Following consultation, the Council decided that this was the easiest and safest option to ensure that most claimants were afforded the

same level of support as they would have received under the old benefits scheme.

- 3.3 Effectively, entitlement is largely based on income received from other welfare benefits, with many claimants being protected and “passported through” to Council Tax support. This scheme is known as the “default scheme” which councils are allowed to adopt in place of a scheme based on a totally different set of criteria.
- 3.4 As a local discount scheme, under Council Tax Regulations, all councils have the discretion on how to calculate and award discounts to support residents in paying their Council Tax.
- 3.5 The Council's scheme adopted and implemented in 2013/14, was also approved for 2014/15, 2015/16 and 2016/17.

Principles of the Local Scheme

- 3.6 The main principles of the local scheme, as currently approved, are detailed below.
 - i. Claimants of pensionable age receive exactly the same level of support as existed under the previous national scheme (this is a statutory requirement).
 - ii. Households who qualify for benefit through disability premiums receive exactly the same level of support as existed under the previous national scheme.
 - iii. War widow and war disabled claimants receive exactly the same level of support as existed under the previous national scheme.
 - iv. Military compensation payments are fully disregarded in calculating Council Tax support.
 - v. Working age claimants on passported benefit are deducted 8.5% from their entitlement calculated under the Local Scheme.
 - vi. All other working age claimants are deducted 10% from their entitlement calculated under the Local Scheme.
 - vii. Full Council Tax support for claimants entering work is paid for 8 weeks, an increase from 4 weeks under the previous national scheme.
- 3.7 This means that within the local scheme, pensioner, disability, war widow and war disabled households are fully protected. However, the total scheme was originally defined in the context of a finite resource which was distributed to local authorities as part of the annual funding settlement in 2013/14. This was less than previous amounts paid as Council Tax Benefit.

- 3.8 Therefore, in order to maintain protection for certain groups and to balance the Collection Fund at the outset of the local scheme, meant that working age claimants starting paying more Council Tax.
- 3.9 As previously explained, this scheme was implemented at many other authorities (the “Default Scheme”) although there were fewer councils who offered the added protection to disabled households compared to the Council.

Total Cost of the Local Scheme

- 3.10 The Council’s scheme supports approximately 5,350 households across the District, which is approximately 13% of all households. There are currently around 2,900 working age claimants and 2,450 pensionable households.
- 3.11 The number of households claiming support has steadily decreased from over 6,000 when the Scheme was introduced in 2013/14. Consequently, the cost of support has also reduced. Although recent changes arising from welfare reform may have impacted upon the Council’s Scheme, any additional costs have been absorbed.
- 3.12 The cost of the Local Council Tax Support Scheme is accounted for in the Collection Fund (and not the General Fund). Overall, the cost has steadily reduced from approximately £5m in 2013/14 to £4.46m midway through 2016/17. The overall cost has been fairly static over the last 12 months, although it has been as low as £4.38m at one point in 2015/16.
- 3.13 The main risk of the Scheme is volatility as the number of claimants and individual circumstances can change regularly. Whereas under the national benefits system, the cost of supporting Council Tax was met by the Government, the cost of local support is met by the local preceptors in the Collection Fund.
- 3.14 However to-date, as detailed above, volatility has not been significant in the Council’s Scheme and the cost continues to be contained within the Collection Fund without any adverse effect on the Fund’s overall position.

Timescale

- 3.15 Statutorily, the Council has to approve its local scheme each year even if there are no changes. This has to be approved by a meeting of the Full Council before 31st January each year. In respect of 2017/18, the local scheme will be proposed at the Council meeting on 19th January 2017, based on the recommendation of this Committee.
- 3.16 Therefore, consideration needs to be given to the Scheme for 2017/18, which is timely and allows for public consultation if necessary, especially if any changes are proposed. This would need to include other Council Tax preceptors as any changes could also affect their financial position.

Impact of Changes to the National Welfare System

- 3.17 In previous years, the Council has rolled forward the original scheme approved in 2013/14 with no changes, except to uprate nationally set income figures for welfare benefits that are used to calculate the level of Council Tax support. In principle, the main parameters have not been changed as detailed earlier in the report.
- 3.18 In 2015/16 and 2016/17, changes to the national welfare system have potentially had an impact on the Scheme, although this does not appear to have been significant.
- 3.19 The impact on local support schemes for Council Tax is that as the income of benefit claimants, especially those of a working age, is reduced this qualifies them, in principle, for additional support for Council Tax under the parameters of the current default scheme.
- 3.20 As the parameters are based on the previous benefits system (the default scheme) entitlement is automatically calculated and flows through to the Council's Local Support Scheme.

Tax Credits

- 3.21 There was concern last year that some fundamental changes to tax credits being proposed at that time by the Government, would have a bigger impact on the cost of local schemes without reducing the entitlement for "non-protected" groups to Council Tax support.
- 3.22 However, in the Government's 2015 Autumn Statement on the Public Finances, these proposals were scrapped. The Committee, in October 2015, had already approved to absorb any additional cost in the Collection Fund.
- 3.23 Other changes to national benefits have been introduced during 2016/17. As part of on-going reform, the reduction in the Family Premium (*an additional amount paid to claimants with responsibility for children*) from May 2016 has potentially added an extra cost, estimated at £50,000 per year to the Council's Scheme. This has affected approximately 300 households.
- 3.24 The Council could change the parameters of its Scheme to effectively pass the cost onto these claimants, although the Council would need to consult widely on any proposed changes. Given the small amount involved (relative to the overall level of Council Tax) it is recommended that this amount continues to be absorbed.
- 3.25 In addition, there is a risk that if affected claimants were not granted their full entitlement under the Local Scheme and have seen a reduction in other benefits, then the collection rate for their current level of Council Tax could reduce.

Universal Credit (UC)

- 3.26 The full implementation of UC is not now expected until 2021/22. The next milestone is the introduction of UC for couples and families. This is expected to be implemented in South Derbyshire in October 2017. With the run-up to this milestone and eventually full implementation of UC, the Local Scheme will be kept under review.

Future Schemes

- 3.27 In principle, there is nothing to prevent the Council from calculating and awarding entitlement on any basis it chooses.
- 3.28 Other options would involve targeting support in a different way. Various options were put forward as part of the initial consultation on the new scheme prior to April 2013.
- 3.29 These included the removal of the second adult rebate, disregarding certain other benefits for the purposes of calculating support, together with a “banded” scheme, whereby support is limited to a lower Council Tax band.
- 3.30 Apart from a banded scheme, other options would only have a minimal impact financially overall. Feedback from the initial consultation, didn’t favour any changes to these parameters.
- 3.31 Any proposed changes would need to be subject to public consultation as this would move the Council’s scheme away from the current framework which was based on the previous national benefits scheme.

Government Review

- 3.32 During 2015, the Government commissioned an independent review of Council Tax support schemes across the country. This review reported In March 2016.
- 3.33 Generally, the review found that all councils had implemented schemes in an efficient and transparent way. It did highlight some issues with collecting low levels of debt and that in some areas the research found that the implementation of schemes had reduced collection rates.
- 3.34 Most councils had designed schemes and continued to have schemes, based on the previous benefits system; very few had fundamentally changed.
- 3.35 Consequently, the review made several recommendations to the Government. For example, it recommended that annual reviews were not necessary if significant change was not proposed.
- 3.36 In addition, the need for consultation was questioned and that councils should have greater flexibility to design schemes without certain groups being statutorily protected, for example “localising” support for certain pensioner groups.

- 3.37 For council's, the review recommended more joint working to design schemes and to focus resources on those groups struggling to pay.
- 3.38 Finally, the review recommended that local schemes should not be incorporated into UC and that councils should be given greater freedom with other Council Tax discounts such as those applying nationally to Single Persons.

Discretionary Powers

- 3.39 The Council has the discretion to decide whatever support/discount it chooses to award to working age claimants under the relevant Council Tax Regulations.
- 3.40 It should be noted that support for Council Tax cannot be paid from the Discretionary Housing Fund; this is solely for benefits.
- 3.41 Although the Council has a separate discretionary award scheme for Council Tax it deals with each application under the local powers in accordance with the Council's policy approved under Section 13A of the Local Government Finance Act 1992 (as amended).

Compensation Grant paid to Parish Councils

- 3.42 When the local scheme was introduced in April 2013, there was a knock-on effect to parish councils, as local preceptors, through a reduction in their tax base. In recognition of this, the Government provided funding to compensate parish and town councils. This funding, calculated at a point in time, was paid to district and borough councils in their Revenue Support Grant (RSG).
- 3.43 The Government expects that this funding is passported directly to parish councils, although it is no longer specified in RSG. There is no requirement for this funding to be passed directly on, it can be reduced or even kept by a district/borough council in its entirety.
- 3.44 The Council's Policy has been to pass this funding on at the base amount set in 2013/14. The amount calculated in total for all parish councils in South Derbyshire for 2013/14 was £43,627. This amount has been paid over to parishes each year.
- 3.45 Any changes to this amount for 2017/18 will need to be notified to parish councils by 31st December 2016. The Council's Medium-Term Financial Plan, currently assumes that this funding continues to be paid over to parish councils.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

- 5.1 No additional implications.

6.0 Community Implications

6.1 The report details the impact of the Council's Local Scheme on local residents.

7.0 Background Papers

7.1 *"Three Years On: An Independent Review of Local Council Tax Support Schemes."*

<https://www.gov.uk/government/publications/local-council-tax-support-schemes-an-independent-review>