
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	4th December 2014	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/council tax support scheme/2015 15 scheme/report to consider changes – Oct 14
SUBJECT:	LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the current Local Council Tax Support Scheme is reviewed and any changes that are proposed for 2015/16 are subject to external consultation as appropriate.
- 1.2 That the current Compensation Grant for the Tax Base paid to Parish Councils is reviewed and any changes are notified to Parish Councils by 31st December 2014.

2.0 Purpose of Report

- 2.1 To consider any changes that may be proposed to the current scheme ahead of the Budget Round for 2015/16 and to set out the appropriate level of consultation.

3.0 Detail

- 3.1 Following 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. The detailed parameters were largely based on the out-going national benefits system and the scheme was also approved for 2014/15, with no changes.
- 3.2 The main parameters 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.

3.3 This means that within the local scheme, pensioner and disability households are protected. However, the total scheme was defined in the context of a finite resource which was distributed to local authorities as part of the annual funding settlement.

3.4 Therefore, in order to balance the Collection Fund at the outset of the local scheme meant that working age claimants started paying more Council Tax, when they had previously paid nothing.

3.5 Approximately 1,700 households are currently contributing up to 10% of their Council Tax liability, for which previously they had been entitled to full benefit.

3.6 The average liability for these households amounts to approximately £95 per year and generates additional Council Tax of £170,000 per year in the Collection Fund. The collection rate is around 70% to 75%.

Total Cost of the Local Scheme

3.7 The total cost of the local scheme was originally estimated at £4.9m for 2013/14, with the final cost being £4.65m; it is currently estimated at £4.45m for 2014/15. The Council's share of the cost is approximately £1/2m, financed by earmarking a proportion of its central funding and is therefore contained within the overall Budget.

3.8 The Council has discretion how it uses this earmarked funding. It can add to or reduce this funding element if it wishes, by changing the non-statutory parameters in the scheme subject to the overall effect on the Council's Base Budget.

Timescale

- 3.9 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 2015/16, the Local Scheme will be proposed at the Council meeting on 22nd January 2015, based on the recommendation of this Committee and allowing for any consultation required.
- 3.10 Therefore, consideration needs to be given to the Scheme for 2015/16, which is timely and allows for public consultation if necessary, especially if any significant changes are proposed. This will need to include other Council Tax Preceptors as it would also affect their financial position.

Options

- 3.11 Effectively, there are 4 main options, although there may be alternative ways of delivering some of the options.

Option 1: No Change

- 3.12 This is considered to be the simplest and safest solution as it allows some consistency from year to year. Besides volatility, which is an issue with any option, the main risk is that a further reduction in the Council's Revenue Support Grant for 2015/16 could impact on the level of support currently provided.
- 3.13 The level of consultation required with this option is minimal.

Option 2: Directly Reduce Support and Increase the Percentage of Council Tax paid by Working Age Claimants

- 3.14 For every 5% increase in Council Tax payable for these claimants, this would generate approximately £8,500 additional income.
- 3.15 Any increase would possibly need to be balanced against individual affordability and a potential increase in the cost of debt collection.

Option 3: Directly Increase Support and Reduce the Percentage of the Council Tax paid by Working Age Claimants

- 3.16 As stated previously, the aggregate of the Council Tax payable by working age claimants currently totals approximately £170,000. Any increase in support would need to be absorbed in the Collection Fund.
- 3.17 Due to the current growth in residential property, the balance on the Collection Fund as at 31st March 2105 is estimated to be approximately £800,000. Although in recent years, a surplus has been generated on the Collection Fund, this cannot be guaranteed from year to year.

- 3.18 A substantial part of the Balance on the Collection Fund is apportioned to other Preceptors (mainly the County Council) with approximately 11.5% applicable to South Derbyshire.
- 3.19 Therefore, any use of the Fund in this way would need the agreement of the other Preceptors.

Option 4: Change the Parameters within the Scheme.

- 3.20 This would aim to reduce support on a targeted basis and increase the contribution to Council Tax from certain groups. Various options were put forward as part of the initial consultation on the new scheme prior to April 2013.
- 3.21 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.
- 3.22 Apart from a banded scheme, other options would only generate smaller amounts of income. Feedback from the initial consultation, didn’t favor any changes to these parameters
- 3.23 Under this option, any changes to the protected groups within the Council’s scheme (apart from pensioners) could be reconsidered.
- 3.24 Any proposed changes would need greater consultation as this would move the Council’s scheme away from the current framework which was based on the previous national benefits scheme.

Compensation Grant paid to Parish Councils

- 3.25 When the Local Scheme was introduced in April 2013, this lowered the Tax Base of Parish Councils. 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).
- 3.26 The Government “expects” that this funding is passported directly to parish councils, although it is no longer specified in the general grant. There is no requirement for this funding to be passed directly on, it can be reduced or even kept by the district council in its entirety.
- 3.27 The Council’s Policy is 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 was paid in 2013/14 and 2014/15.

3.28 Any changes to this amount for 2015/16 will need to be notified to parish councils by 31st December 2014. The Budget and MTFP is based on the funding being earmarked in the Council's RSG and passed onto 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 As highlighted in the report, Option 1 would require no further consultation; options 2 and 3 would need some limited consultation as the principle is not changing, only the amount of support provided. This could be actioned through representative groups, although Option 3 would also require the agreement of other Preceptors. Option 4 would require greater consultation with residents and stakeholders.

7.0 Background Papers

7.1 None