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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>14<sup>th</sup> FEBRUARY 2019</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
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<b>SUBJECT:</b>	<b>PROPOSED LOCAL COUNCIL TAX REDUCTION SCHEME 2019/20</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 12</b>

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## **1.0 Recommendation**

- 1.1 That the existing Local Council Tax Reduction Scheme currently in place is continued and approved for 2019/20.
- 1.2 That the detailed parameters are submitted to Full Council on 27 February 2019 for formal adoption.

## **2.0 Purpose of Report**

- 2.1 To review the current Local Council Tax Reduction Scheme (*the Local Scheme*) ahead of 2019/20, in order for the detailed framework to be implemented by 11 March 2019.

## **3.0 Detail**

### **Background**

- 3.1 The Local Scheme was implemented by the Council on 1 April 2013, to provide support, in the form of a discount, to eligible households towards their Council Tax liability. This replaced the National Benefits Scheme for supporting Council Tax.
- 3.2 The detailed parameters of the Council's Local Scheme are largely based on the former National Benefits System to calculate entitlement. Entitlement is based on income received from other welfare benefits, with many claimants being protected and passported through to Council Tax support.
- 3.3 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.

3.4 The Council's Scheme adopted in April 2013 following consultation, has remained unchanged.

### **Principles of the Local Scheme**

3.5 The main principles of the local scheme 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.

*\*(Passported benefits allow certain groups of people entitlement to other benefits if they receive Income Support, Jobseekers Allowance, Employment Support Allowance and Pension Credits)*

- 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.

3.6 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.

3.7 Therefore, in order to maintain protection for certain groups and to balance the Collection Fund at the outset of the Local Scheme meant that many **working age claimants** became liable for paying more Council Tax.

### **Total Cost of the Local Scheme**

3.8 The Council's scheme currently supports approximately 5,065 eligible households across the District, of which 2,900 are of working age with 2,165 pensionable households.

- 3.9 The number of households claiming support has steadily decreased from over 6,000 when the Scheme was introduced in 2013/14. The overall cost of support has also reduced in real terms. Although changes in recent years arising from welfare reform have impacted upon the Council's Scheme, any additional costs have been absorbed.
- 3.10 The cost of the Local Scheme is accounted for in the Collection Fund. Overall, the cost has steadily reduced from approximately £4.7million in 2013/14 to £4.2 million in 2018/19. Overall Council Tax currently collectable (for all preceptors) is approximately £57m per year.
- 3.11 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.
- 3.12 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**

- 3.13 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 11 March each year. In respect of 2019/20, the Local Scheme will be proposed at the Council meeting on 27 February 2019, based on the recommendation of this Committee.

### **Proposed Changes to the Current Scheme**

- 3.14 The Committee considered a proposed change to the Local Scheme on 29 November 2018 regarding the inclusion of a two child limit within the calculation of support ([Child Limit Report](#)). This was due to a change in the National Welfare Regulations, although the Council has discretion whether to include national changes in its own scheme.
- 3.15 Having considered this proposal, the Committee approved to maintain the current Local Scheme **excluding** the placement of a two child limit within the calculation of support.

### **Universal Credit (UC)**

- 3.16 The first phase of full implementation of UC in South Derbyshire commenced in November 2018. This phase applied to all new benefit claims. It is currently expected that all existing claimants will be transitioned in stages from July 2019.
- 3.17 However, following a Government announcement on 7 January 2019, this date may slip pending the outcome of a pilot exercise which will seek to transfer 10,000 exiting claimants from legacy benefits onto UC. Overall implementation is still planned to take place by 2023.

3.18 The Local Scheme will be kept under review to monitor any knock-on effects from the implementation of UC.

### **Alternative Schemes**

3.19 In principle, there is nothing to prevent the Council from calculating and awarding entitlement on any basis it chooses.

3.20 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 back in 2012/2013.

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 have a minimal impact financially overall. Feedback from the initial consultation, didn't favour any changes to these parameters.

3.23 Any proposed changes would need to be subject to public consultation as this would move the Council's Scheme away from the current framework.

### **Other Discretionary Powers to Provide Support**

3.24 The Council has the discretion to decide whatever support/discount it chooses to award to working age claimants under the relevant Council Tax Regulations.

3.25 It should be noted that support for Council Tax cannot be paid from the Discretionary Housing Fund; this is solely for housing benefits.

3.26 Although the Council has a separate Discretionary Award Scheme for Council Tax, it deals with each application under local powers in accordance with the Council's policy approved under Section 13A of the Local Government Finance Act 1992 (as amended). This is used in more extreme hardship cases.

## **4.0 Financial Implications**

4.1 As detailed in the report.

## **5.0 Corporate Implications**

### **Employment Implications**

5.1 None

### **Legal Implications**

5.2 None

## **Corporate Plan Implications**

- 5.3 The Local Scheme contributes to the Corporate Plan key aim of “*protecting and helping support the most vulnerable, including those affected by financial challenges*” (PE 2)

### **Risk Impact**

- 5.4 None

## **6.0 Community Impact**

### **Consultation**

- 6.1 None required

### **Equality and Diversity Impact**

- 6.2 A full Equality Impact Assessment was undertaken in August 2012 on the Council’s Local Scheme. A local discretionary scheme that is awarding financial assistance has the potential to discriminate against one of the nine protected characteristics under the 2010 Equality Act and in particular those relating to age and disability.
- 6.3 A person’s age and whether they are of working age, together with disability, are factors that are considered in awarding some benefits as this data is collected in assessing entitlement.
- 6.4 Under the Council’s Local Scheme, Pensioners receive statutory protection and the Council has used its discretion to protect disability households. Additional liability falls on working age claimants.
- 6.5 It is not considered that the other seven characteristics are affected as they are not relevant to the calculation of Council Tax reduction (*this includes gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, sex or sexual orientation*).
- 6.6 In addition, the Local Scheme provides additional support to war widows and war disabled claimants under the Armed Forces Covenant.

### **Social Value Impact**

- 6.7 As highlighted above.

### **Environmental Sustainability**

- 6.8 None

## **7.0 Background Papers**

- 7.1 None