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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>13<sup>th</sup> FEBRUARY 2020</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/council tax and precepts/council tax reduction scheme/scheme 2020 21/FM proposal Feb 20
<b>SUBJECT:</b>	<b>PROPOSED LOCAL COUNCIL TAX REDUCTION SCHEME 2020/21</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 2020/21.
- 1.2 That the detailed parameters are submitted to Full Council on 26 February 2020 for formal adoption.

## **2.0 Purpose of Report**

- 2.1 To review the current Local Council Tax Reduction Scheme (*the Local Scheme*) ahead of 2020/21, in order for the detailed framework to be implemented by 11 March 2020.

## **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 largely unchanged except for changes to reflect annual increases in national benefits.

## 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, i.e. the 8.5% and 10% contributions at parameters v and vi, above.

## Total Cost of the Local Scheme

3.8 The Council's scheme currently supports approximately 4,889 eligible households across the District, of which 2,806 are of working age with 2,083 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 reduced in real terms from approximately £4.7million in 2013/14 to £4.6 million in 2019/20 - *after accounting for overall increases in Council Tax in South Derbyshire for all Preceptors since 2013/14 of around 20%.*

- 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 2020/21, the Local Scheme will be proposed at the Council meeting on 26 February 2020, based on the recommendation of this Committee.
- 3.14 No changes are proposed to the existing Scheme for 2020/21 as it remains affordable to the Council and affords protection to people on low incomes, etc.

### **Future Changes**

- 3.15 The main drawback of the current Scheme is that it is not easily understood due to the number of parameters and inter-dependencies and this makes system administration and processing inefficient.
- 3.16 This is being exacerbated with the phasing in of Universal Credit (UC) as new claims for Housing Benefit (HB) are now being paid as part of UC. This is steadily reducing the number of claims, but overall administration is not reducing.
- 3.17 This is due to the Council's Council Tax Reduction Scheme. As highlighted previously, the Scheme is based on the parameters of the national default scheme. Generally, a person's entitlement to HB can change their entitlement to Council Tax support but the assessment criteria involved are complicated.
- 3.18 With UC, that linkage remains. However, changes to UC are proving to be more volatile than HB and the Council is receiving a greater number of change notifications from the DWP which need to be processed as they could affect a claimant's entitlement to CTR.
- 3.19 Two main actions have been identified that will mitigate this issue. Firstly, a greater level of automation is required as manual intervention and input is currently slowing the process down. This is currently being progressed in earnest and it is planned to implement system improvements over the coming months.

### **A New CTRS**

- 3.20 The second action is to redesign the Council's Local Scheme. Options are currently being reviewed to simplify the Scheme so that in general terms a claimant may not be any worse off, but the award of discount is calculated in a much easier and understandable way.
- 3.21 Many authorities have already moved away from using parameters based on the national default scheme. However, changes can only be introduced on 1 April each year, with amended or new schemes needing to be approved by Full Council. In

addition, any decision needs to take account of consultation with relevant stakeholders.

- 3.22 Consequently, with system changes also required, there is a long lead-in time associated with a new Scheme. Practically, a new Scheme could not be implemented now until 1 April 2021.
- 3.23 Therefore, ahead of this, it is planned to submit proposals for a new scheme to the Finance and Management Committee on 30 April 2020. This would allow for consultation and a report back to the Committee later in the year, before a final scheme can be proposed to Full Council later in 2020.

### **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 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 has previously been used on rare occasions to support 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 None directly, although the provision of Discounts helps to support the most vulnerable people. The administration of HB, UC and Council Tax support are statutory obligations on the Council.

### **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