
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	17th OCTOBER 2013	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/2014 15 scheme/report to consider changes – Oct 13
SUBJECT:	LOCAL COUNCIL TAX SUPPORT SCHEME 2014/15	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 2014/15 are subject to external consultation as appropriate.

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 2014/15 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.
- 3.2 Within the local scheme, pensioner and disability households are protected. However, the total scheme was defined in the context of a finite resource. This meant that working age claimants within the previous national scheme are now paying more Council Tax.
- 3.3 Of these, approximately 2,000 households are contributing up to 10% of their Council Tax liability, for which previously they had been entitled to full benefit.
- 3.4 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 who previously received 100% Council Tax benefit are deducted 8.5% from their entitlement calculated under the Local Scheme.
- vi. Working age claimants who previously received less than 100% Council Tax benefit 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.

3.5 The total cost of the local scheme was estimated at £4.9m and this is being funded as shown in the following table.

Local Council Tax Support Scheme 2013/14	Estimate £
Total Cost of Council Tax Support Scheme	4,919,899
Grant Funding	-4,537,911
Transitional Grant (2013/14 only)	-123,422
Premium on Long-term Empty Properties	-45,900
Council Tax on Properties empty for longer than 3 months	-188,094
Deficit	<u>24,572</u>

- 3.6 Recent financial monitoring reports to the Committee have highlighted that the cost of the scheme so far in 2013/14 is lower than estimated. Together with additional Council Tax from empty properties, the overall cost is currently projected to be approximately £200,000 lower than estimated.
- 3.7 This includes provision for a lower collection rate associated with households paying some Council Tax for the first time under the Local Scheme. Overall, it is currently estimated that there will be a surplus on the Collection Fund for 2013/14 as reported to the Committee in September.
- 3.8 It should be noted that the Transitional Grant of £123,422 is for one year only and was paid by the Government to help councils introduce their local schemes. It has been confirmed that this grant is unlikely to be on-going beyond 2013/14.
- 3.9 The main grant funding of approximately £4.5m will be included in the main Revenue Support Grant (RSG) for 2014/15. The MTFP assumes overall RSG will reduce year on year over the next 5-years in accordance with the Government's Public Spending Review.
- 3.10 The MTFP assumes that the Council's share of this amount (£516,000) will continue at the same level and is effectively earmarked to finance the Council's Local Scheme on an on-going basis. However, the Council does have complete discretion how it uses this funding.

Timescale

- 3.11 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 2014/15, the Local Scheme will be proposed at the Council meeting on 23rd January 2014, based on the recommendation of this Committee and allowing for any consultation required.
- 3.12 Therefore, consideration needs to be given to the Scheme for 2014/15, 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.
- 3.13 Clearly, consideration is required to take place when the first year's scheme is still in its early stages and grant funding for 2014/15 has not been fully confirmed.

Options

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

Option 1: No Change

- 3.15 This would mean that the loss of the transitional grant in 2013/14 would need to be absorbed. As highlighted earlier in the report, this is a possibility given the reduced cost of the current scheme, compared to that budgeted.
- 3.16 This is considered to be the simplest and safest solution, allows some consistency, together with allowing a full year to be assessed. Besides volatility, which is an issue with any option, the main risk is that the amount of reduction in the RSG impacts on the level of support currently provided.
- 3.17 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

- 3.18 Council Tax payable by claimants on full benefit is 8.5% of their liability, with 10% payable for those on partial benefit. An increase would help to ease financial pressure on the Council as it allows an amount in the RSG funding to be retained for other purposes, together with increasing the Tax Base. However, this would need to be balanced against individual affordability and possibly, an increase in the cost of debt collection.
- 3.19 For every 5% increase in Council Tax payable for these claimants, this would generate approximately £180,000 additional income (£20,000 for this Council).

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

- 3.20 The aggregate of the Council Tax payable by working age claimants currently totals approximately £145,000. Any increase in support would need to be absorbed in the Collection Fund, effectively against the lower cost in 2013/14 compared to that estimated.

3.21 However, there is a risk that the current surplus position could change. In addition, given the projected financial position overall on the Council's General Fund, this may not be the most prudent option.

Option 4: Change the Parameters within the Scheme.

3.22 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 last year's consultation; 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.

3.23 Apart from a banded scheme, other options would only generate smaller amounts of income. Feedback from last year's consultation, didn't favor any changes to these parameters

3.24 Under this option, any changes to the protected groups within the Council's scheme (apart from pensioners) could be reconsidered.

3.25 Any proposed changes would need extensive consultation as this would move the Council's scheme away from the current framework which was based on the previous national benefits scheme.

3.26 It should however be noted, that because of the removal of the link to the national scheme, the Council will from 2014/5, be required to set the numerous applicable amounts, allowances and premiums used in the calculation of entitlement and decide how these are to be up-rated each year.

3.27 It is recommended that the same methodology, followed by the DWP, in arriving at such values should be used. Consequently, this is a purely technical issue and as such, is not subject to consultation.

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. Option 4 would require greater consultation with residents and stakeholders.

7.0 Background Papers

7.1 None