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| <b>REPORT TO:</b>              | <b>FINANCE AND MANAGEMENT COMMITTEE</b>  | <b>AGENDA ITEM: 9</b>  |
| <b>DATE OF MEETING:</b>        | <b>12<sup>th</sup> OCTOBER 2017</b>  | <b>CATEGORY: DELEGATED</b>   |
| <b>REPORT FROM:</b>            | <b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>  | <b>OPEN</b>  |
| <b>MEMBERS' CONTACT POINT:</b> | <b>KEVIN STACKHOUSE (01283 595811)</b><br><a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a> | <b>DOC:</b> u/ks/revenues and benefits/council tax support scheme/2018 19 scheme/report to consider changes – Oct 17 |
| <b>SUBJECT:</b>                | <b>PROPOSED LOCAL COUNCIL TAX SUPPORT SCHEME 2018/19</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 Support Scheme currently in place is continued and adopted for 2018/19.
- 1.2 That the detailed parameters are reported to Full Council on 18<sup>th</sup> January 2018.
- 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 31<sup>st</sup> December 2017.

## **2.0 Purpose of Report**

- 2.1 To review the current Local Council Tax Support Scheme (LCTSS) ahead of 2018/19, in order for the detailed framework to be publicised in January 2018.

## **3.0 Detail**

### **Background**

- 3.1 The LCTSS was implemented by the Council on 1<sup>st</sup> 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.
- 3.2 The detailed parameters of the Council's local scheme are largely based on the national benefits system to calculate entitlement. Entitlement is based on income received from other welfare benefits, with many claimants being protected and "passport 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.
  - 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 working age claimants starting paying more Council Tax.

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

- 3.8 The Council's scheme supports approximately 5,400 eligible households across the District, which is approximately 12% of all households. There are currently around 2,300 working age claimants (down by 600 compared to a year ago) and 3,100 pensionable households (up 700 compared to a year ago).
- 3.9 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 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 LCTSS is accounted for in the Collection Fund. Overall, the cost has steadily reduced from approximately £4.65m in 2013/14 to £4.49m in 2016/17.
- 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 31<sup>st</sup> January each year. In respect of 2018/19, the local scheme will be proposed at the Council meeting on 18th January 2017, based on the recommendation of this Committee.
- 3.14 Therefore, consideration needs to be given to the Scheme for 2018/19, 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.

## **Universal Credit (UC)**

- 3.15 The full implementation of UC in South Derbyshire is now expected later in 2018. Whatever scheme is adopted for 2018/19, it will need to be kept under review as the impact of UC could affect the Council's scheme for 2019/20.

## **Alternative Schemes**

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

- 3.17 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.
- 3.18 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.
- 3.19 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.
- 3.20 Any proposed changes would need to be subject to public consultation as this would move the Council’s scheme away from the current framework.

### **Discretionary Powers**

- 3.21 The Council has the discretion to decide whatever support/discount it chooses to award to working age claimants under the relevant Council Tax Regulations.
- 3.22 It should be noted that support for Council Tax cannot be paid from the Discretionary Housing Fund; this is solely for housing benefits.
- 3.23 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).

### **Compensation Grant paid to Parish Councils**

- 3.24 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).
- 3.25 The Government expects that this funding is passported directly to parish councils, although it is no longer specified in the RSG. There is no requirement for this funding to be passed directly on, it can be reduced, topped-up or even withdrawn in its entirety.
- 3.26 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 is £43,627. This amount has been paid over to parishes each year since 2013/14 and has remained unchanged.
- 3.27 Any changes to this amount for 2018/19 will need to be notified to parish councils by 31<sup>st</sup> December 2017. 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 None