County Council  
26 October 2016

Local Council Tax Reduction Scheme  
2017/18

Report of Corporate Management Team  
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Purpose of the Report

1 To seek Council approval for the continuation of the current Local Council Tax Reduction Scheme for a further year into 2017/18, which would continue to protect all claimants in line with what their entitlement would have been under the Council Tax Benefit System, as agreed by Cabinet at their meeting on 20 July 2016.

Background

2 The Government abolished the national Council Tax Benefits System on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a Local Council Tax Reduction Scheme with effect from 1 April 2013. The new scheme provides a ‘discount’ against the Council Tax charge, rather than a benefit entitlement.

3 The Government’s Council Tax Support Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 is paid directly to the council and the major precepting bodies (Police and Fire).

4 The Government reduced its funding contribution towards council tax support by 10 per cent nationally in 2013/14. By so doing, the Government also transferred the risk of any growth in the system through more council taxpayers becoming eligible for council tax support to local authorities as the government grant is a fixed amount.

5 Councils have discretion, within some constraints, to design their own Local Council Tax Support Schemes. Pensioners, who account for around 44 per cent of the caseload in County Durham, have to be protected, with any reductions only being able to be applied to working age claimants. Councils are required to review and approve their schemes annually and have this agreed by a full Council meeting before 31 January of the following financial year.

6 The funding made available to support the Local Council Tax Reduction Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council’s formula funding arrangements. Whilst separate figures were published for this grant in 2013/14, from 2014/15 there has been no visibility over what level of funding is actually contained within the formula now for Council Tax Reduction Schemes.
The Council’s formula grant includes an element relating to Town and Parish (T&P) Councils and whilst the Council has passed the grant on to the Town and Parish Councils over the last three years, there is no statutory requirement to do so.

Following discussions with the Town and Parish Councils’ Working Group, Cabinet resolved on 20 July 2016 to continue to pass on the Town and Parish element of its formula grant in 2016/17, but in doing so, continue to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils in 2017/18 in line with reductions in the overall formula funding made available to the Council.

Formula grant has been subject to significant ongoing year on year reductions since 2010/11 and the latest MTFP includes a forecast c£21.14m reduction in Revenue Support Grant in 2017/18, partially offset by retail price index inflation (RPI) increases in the local share of business rates and top up grant under the localisation of Business Rates. Overall, funding from a combination of formula grant and business rates top up is forecast to reduce by c9.93% in 2017/18.

Review of the Local Council Tax Support Scheme

On 28 October 2015 Council agreed the current Local Council Tax Reduction Scheme for 2016/17, which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last four years than they would have been under the previous national scheme.

In the North East region, Durham and Northumberland still retain schemes that mirror entitlement under the former Council Tax Benefit system, whilst the other ten Councils have schemes that have maximum entitlement to working age claimants on average of between 70% (South Tyneside) and 93% (North Tyneside).

In approving the scheme for 2016/17, the Council was mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional Council Tax liabilities to working age households could have a significant impact on affected household budgets by around £130 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low income households.

The Council has also given a commitment to review the scheme on the grounds of medium term financial plan (MTFP) affordability and on-going austerity causing further MTFP pressures, as well as wishing to learn from experience (including recovery rates) in local authorities that have reduced maximum entitlement for working age claimants. Any changes to the scheme would need to be subject to public consultation.
There are currently circa 60,000 LCTRS claimants in County Durham, of which circa 26,000 (43%) are pensioners and circa 34,000 are working age claimants (57%). 22,700 working age claimants are on ‘passported’ benefits with the vast majority of these receiving 100% discount. LCTRS support to claimants in terms of discounts against their Council Tax liability currently totals £53.2million.

Based on Taxbase assumptions, the estimated net cost of retaining the scheme in 2016/17 is £5.064million. To recover the full £5.064million cost by reducing the benefit awarded to working age claimants would require us to reduce the maximum entitlement from 100% to 73%.

Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from the affected low income households, there would be scope to increase Council Tax revenues by between £1.9million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.064million (based on a scheme that awarded maximum entitlement of 70% with a prudent collection rate of 80%). This would impact on the 34,000 working age households where around 8,000 are actually in jobs rather than being unemployed.

Following careful consideration of the current financial position of the Council, Cabinet resolved on 20 July 2016 to recommend to Council that the current scheme of up to 100% entitlement for working age claimants should be extended for a further year into 2017/18.

The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the Council. In addition, whilst the full impacts of the Government’s Welfare Reforms are complex and difficult to track, anecdotal evidence, from demand for Discretionary Housing Payments; Social Fund Applications and Rent Arrears statistics in County Durham compared to others across the region, continues to suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide ranging proactive support that has been put in place over the last few years, is having a positive impact on these areas.

We will continue to review the national situation and track what is happening in local authorities that have introduced Local Council Tax Reduction Schemes who have reduced maximum entitlement to their working age claimants in terms of impact and performance in relation to the recovery of the council tax due.

With regard to the Council’s financial forecast on the impact of retaining 100% entitlement to council tax support in the current financial year 2016/17, the position at 30 September 2016 indicates that the planning assumptions in terms of setting the 2016/17 budget were prudent and remain within our planning assumptions.
Conclusions

19 There is a statutory requirement for Full Council to approve the Local Council Tax Reduction Scheme (LCTRS) to be operated in 2017/18 before 31 January 2017.

20 There are a number of financial risks associated with the LCTRS including increased take-up and the consequential transfer of risk to the Council, plus the recovery of any council tax sums levied on working age claimants and ultimately the impact on the Council Tax Base and the Collection Fund which are both key elements of the overall budget setting process for the Council.

21 Given the latest MTFP (7) financial forecasts reported to Cabinet in July, 2016 and in light of the beneficial impact on residents who are being impacted by other Welfare Reform changes, it is proposed that Council agrees that the LCTRS be extended into 2017/18 without any changes.

22 Any proposed changes to the LCTRS for 2018/19 would need to be consulted upon and, should any changes be proposed, a report would need be brought to Cabinet in July / September 2017 before embarking on a consultation process thereafter.

Recommendations

23 Council is recommended to:

(i) Continue the current Local Council Tax Reduction Scheme into 2017/18 which will retain the same level of support to all working age council tax payers on low incomes.

(ii) Agree that the extension to the Scheme be initially for a further year only and be kept under continuous review with a further decision on the scheme to apply in 2018/19 to be considered by Cabinet in July / September 2017 and Full Council by January 2018.

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Background Papers

Appendix 1: Implications

Finance

The funding made available to support the Local Council Tax Reduction Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the Council’s formula funding arrangements.

Following discussions with Town and Parish Councils, Cabinet resolved on 20 July 2016 to continue to pass on the Town and Parish element of its formula grant in 2017/18 but in doing so continue to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils in 2016/17 in line with reductions in the overall formula funding made available to the Council. Estimated Grant paid to Town and Parish Councils will be circa £1.470million in 2016/17 compared to £1.632million in 2016/17.

The Council introduced a Local Council Tax Reduction Scheme in 2013/14 which ensured that entitlement to the new discount for all claimants would be in line with the level of Council Tax Benefit that would otherwise have been granted had the Council Tax Benefit system continued. This was subsequently extended into 2014/15, 2015/16 and 2016/17.

The Council is responsible for the costs of any increase in caseload as the level of Government support is fixed within formula grant.

Prudent estimates and provisions were built into the tax base forecasts at budget setting, and whilst the Council is subject to greater financial risk now, the current scheme remains within the budget provisions.

Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from the affected low income households, there would be scope to increase Council Tax revenues by between £1.9million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.064million (based on a scheme that awarded maximum entitlement of 70% with a prudent collection rate of 80%). This would impact on an estimated 34,000 working age claimants where around 8,000 are actually in jobs rather than being unemployed.

Staffing

None.

Risk

The report outlines a range of financial risks surrounding the Local Council Tax Reduction Scheme. These are being effectively managed at this time. Given that the proposal is to extend the current arrangements into 2017/18 there are no system development issues or risk associated with these proposals as the systems were amended in advance of 2013/14.

Equality and Diversity / Public Sector Equality Duty

The Equality Act 2010 aims to advance equality of opportunity and provide protection from discrimination for people based on their ‘protected characteristics’. We are
legally required under the public sector equality duty (PSED) to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- foster good relations between those who share a relevant protected characteristic and those who do not.

In relation to the LCTRS, this means that the Council needs to take account of the available data and broader evidence to actively consider how the scheme might affect people who share a relevant protected characteristic and people who do not share it. The PSED does not prevent public authorities making difficult decisions but we must ensure that the decision making process is fully informed by equality impacts and, where there is potential for negative impact, full consideration is given to mitigating actions and implementation of the final decision can be clearly justified.

Government Equalities Impact Assessment (EIA)

The Government EIA on the Local Council Tax Reduction Scheme was published in January 2012 and is relatively brief. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

Durham County Council LCTRS Equalities Impact Assessment: Summary

Given the proposals to extend the current LCTRS into 2017/18, thereby continuing to protect current entitlement, then there will be no negative equalities impact, with the financial position of claimants protected in 2017/18.

This will need to be revisited next year if proposals are subsequently brought forward to change the scheme in 2018/19.

Should the Council decide against extending the current scheme into 2017/18, and elect instead to pass on reductions to working age claimants, there would be a range of potential negative equalities impacts. These include financial impact for working age claimants and possible additional impacts in relation to health and wellbeing, housing and the consequences of debt or legal action. These impacts are most likely in relation to gender, age and disability with limited impacts for race and sexual orientation and no evidence of impact on transgender status, religion or belief.

Accommodation

None.

Crime and Disorder

Any reduction in Council Tax support, alongside other welfare changes could see an increase in crime if customers seek to increase their income to make up for the
benefits lost. The proposals set out in this seek to protect current entitlement in 2017/18 and as such have no implications, though the impact of the wider welfare reforms agenda will need to be kept under constant review.

**Human Rights**

None

**Consultation**

Towns and Parish Councils were consulted on the proposals to continue to passport an element of the Councils formula grant, equivalent to the Town and Parish share of the Local Council Tax Reduction Scheme grant funding within formula grant for 2017/18.

No further consultation has been undertaken as Cabinet resolved on 20 July 2016 to recommend to Council that it extends and continues the current Local Council Tax Reduction Scheme into 2017/18, thereby retaining the same level of support to all working age council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.

**Procurement**

None

**Disability Discrimination Act**

See above.

**Legal Implications**

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 31 January. Where the Council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes.