

County Council

1 November 2017

Local Council Tax Reduction Scheme 2018/19



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 (LCTRS) for a further year into 2018/19, 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 12 July 2017.

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 LCTRS with effect from 1 April 2013. The LCTRS provides a 'discount' against the Council Tax charge, rather than a benefit entitlement.
- 3 The Council Tax Reduction 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 Government funding towards council tax support was reduced 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 support with their council tax to local authorities as the government grant was a fixed amount.
- 5 The funding made available to support the Local Council Tax Support 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 in 2013/14, there is no longer any visibility over what level of funding is now contained in the formula for Council Tax Reduction Schemes.
- 6 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, there is no statutory requirement to do so.

- 7 Following discussions with the Town and Parish Councils' Working Group, and in the spirit of partnership working, recognising the important role Town and Parish Councils play in providing local services to communities, Cabinet resolved on 13 July 2017 to continue to pass on the Town and Parish element of the formula grant in 2018/19. In doing so, Cabinet also resolved to continue to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils 2018/19, in line with reductions in the overall formula funding made available to the Council.
- 8 Formula grant has been subject to significant ongoing year on year reductions since 2010/11 and the latest MTFP includes a forecast c£14.140 million reduction in Revenue Support Grant in 2018/19, 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 c5.36% in 2018/19. This is the reduction that will be applied against the Council Tax Support Grant paid to Town and Parish Councils in 2018/19.

Review of the Local Council Tax Support Scheme

- 9 On 28 October 2016 Council agreed the current Local Council Tax Reduction Scheme for 2017/18, which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been worse off in the last five years than they would have been under the previous national scheme.
- 10 The Council has been 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 for working age households could have a significant impact on affected household budgets by around £100 to £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.
- 11 In approving the scheme for 2017/18, the Council (26 October 2016) gave a commitment to review it on the grounds of medium term financial plan (MTFP) affordability and on-going austerity.
- 12 In the North East region, Durham and Northumberland have schemes that continue to mirror entitlement under the former Council Tax Benefit (CTB) system, whilst the other ten Councils have schemes that cap the maximum entitlement to working age claimants.
- 13 Nationally, 74 Councils changed their schemes in April 2017. There are now only 37 Councils across the country who continue to mirror entitlement under the former Council Tax Benefit system (11%), with 277 out of 326 having cut the amount of support available to claimants by introducing either a minimum payment or a band cap. The other 12 councils have made other changes such as removing the second adult rebate to their schemes.

- 14 In some local authorities, low-income households continue to be exempt from paying Council Tax whilst in others they are required pay up to 45% of their bill. There is therefore a wide disparity of support available across the Country. In the fifth year of the LCTRS, around two million families across the Country continue to be adversely affected by the change from CTB. On average these families will have to pay £191 additional Council Tax in 2017/18 in comparison to what they would have paid under the national CTB scheme. Nationally, the number of LCTRS claimants paying £200 or more has increased to 825,000 in 2017/18.
- 15 There are currently 58,674 LCTRS claimants in County Durham, of which 24,937 (43%) are pensioners and 33,737 are working age claimants (57%), with 22,372 working age claimants on 'passported' benefits i.e. also in receipt of either Job Seekers Allowance or Income Support. LCTRS support to claimants in terms of discounts against their Council Tax liability currently totals circa £53.5 million per annum.
- 16 There are 2,527 claimants in County Durham currently classed as working age that would have been treated as pensionable age claimants previously, and therefore fully protected from any changes in the LCTRS should the Council wish to do so, as a result of changes to the pensionable age eligibility across the last four years. Nationally there has been a 13.5% reduction in pensionable age claimants across the last four years, the reduction in County Durham has been a 6.8% reduction since 2013.
- 17 As Members will be aware, if any changes are made to the scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Council Meeting before 31 January each year.
- 18 Pensioners have to be protected from any changes with any reductions applied to working age claimants only.
- 19 Based on Taxbase assumptions, the estimated net cost of retaining the scheme in 2017/18 is circa £5.1 million. To recover the full £5.1 million cost by reducing the benefit awarded to working age claimants, which currently totals circa £31.3 million, would require a reduction in the maximum entitlement from 100% to 79.5%.
- 20 Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £2.5 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.133 million (based on a scheme that awarded maximum entitlement of 79.5% with a prudent collection rate of 80%). This would impact circa 33,700 working age households across County Durham, where circa 7,300 are actually in low paid jobs rather than being unemployed.

- 21 Following careful consideration of the current financial position of the Council and in light of further cuts to the Welfare Budget planned by Government, including the roll out of Universal Credit Full Service from October 2017 in County Durham; Cabinet resolved on 13 July 2017 to recommend to Council that the current scheme should be extended for a further year into 2018/19 and, therefore, that no additional council tax revenues are built into the MTFP projections from a review of the LCTRS at this stage.
- 22 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, demand for Discretionary Housing Payments; Social Fund Applications and Rent Arrears statistics in County Durham compared to others across the region, would 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, is continuing to have a positive impact on these households.
- 23 The Council will need to continue to review the national situation and track what is happening in local authorities that have introduced Local Council Tax Reduction Schemes that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.
- 24 With regard to the Council's financial forecast on the impact of retaining 100% entitlement to council tax support in the current financial year (2017/18), the position at 30 September 2017 indicates that the planning assumptions in terms of setting the 2017/18 budget were prudent and remain appropriate.

Conclusions

- 25 There is a statutory requirement for Full Council to approve the Local Council Tax Reduction Scheme (LCTRS) to be operated in 2018/19 before 31 January 2018.
- 26 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.
- 27 Given the latest MTFP(8) financial forecasts reported to Cabinet in July and October 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 2018/19 without any changes.
- 28 Any proposed changes to the LCTRS for 2019/20 would need to be consulted upon and, should any changes be proposed, a report would need be brought to Cabinet in July / September 2018 before embarking on a consultation process thereafter.

Recommendations

29 Council is recommended to:

- (a) continue the current Local Council Tax Reduction Scheme into 2018/19, which will retain the same level of support to all working age council tax payers on low incomes;
- (b) 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 2019/20 to be considered by Cabinet in July / September 2018 and Full Council by January 2019.

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Background Papers

- Local Government Finance Act 1992 (section 13A)
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- Medium Term Financial Plan(8), Council Plan, Service Plans 2018/19 - 2021/22 and Reviews of the Local Council Tax Reduction Scheme, Council Tax Discounts and Business Discretionary Rate Reliefs – report to Cabinet 12 July 2017

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 2013 July 2016 to continue to pass on the Town and Parish element of its formula grant in 2018/19 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. Estimated Grant paid to Town and Parish Councils will be circa £1.401 million in 2018/19 compared to £1.417 million in 2017/18.

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, 2016/17 and 2017/18.

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 affected low income households, there would be scope to increase Council Tax revenues by between £2.5 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.133 million (based on a scheme that awarded maximum entitlement of 79.5% with a prudent collection rate of 80%). This would impact circa 33,700 working age households across County Durham, where circa 7,300 are actually in low paid 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 2018/19 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.

Given the proposals are to extend the current LCTRS into 2018/19, thereby continuing to protect current entitlement, there will be no negative equalities impact, with the financial position of claimants protected in 2018/19.

This will need to be revisited next year if proposals are subsequently brought forward to change the scheme in 2019/20.

Should the Council decide against extending the current scheme into 2018/19, 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 2018/19 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 2018/19.

No further consultation has been undertaken as Cabinet resolved on 13 July 2017 to recommend to Council that it extends and continues the current Local Council Tax Reduction Scheme into 2018/19, 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

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992.

Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a ‘discount’ against the Council Tax charge, rather than a benefit entitlement and as such impacts on the Councils tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the Council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the Council to calculate the Council Tax Base.

A key element of the tax base calculation is the Councils policy in terms of its LCTRS.

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. Pensioners, have to be protected from any changes, with any reductions applied to working age claimants only.