

PAPER NO. 11

REPORT TO THE EXECUTIVE MEETING OF 5 DECEMBER 2016

The following item has been added to the agenda with the consent of the Chairman as a decision is required before the next meeting of the Executive

Meeting: Executive
Date: 5 December 2016
Subject: Local Council Tax Support Scheme 2017/18
Report of: Simon Riley, Head of Finance and Corporate Services (S151 Officer)
Portfolio Holder: Cllr Phil King
Status: Decision
Relevant Ward(s): All

1 Purpose of the Report

- 1.1 To consider options for the Local Council Tax Support Scheme for 2017/18 following the consultation in the summer
- 1.2 To delegate the setting of the Council Taxbase to the S151 Officer based on the council tax support scheme in place at the time of determining the tax base.

2 Recommendations:

2.1 **Recommend to Council:**

(a) That the Council Tax Support Scheme is retained at 15% for 2017/18.

(b) To not implement other changes detailed in the consultation (detailed in paragraph 4.8 (a) to (c)) in the 2017/18 scheme.

(c) Delegate to the S151 Officer the setting of the Council tax-base for 2017/18 and subsequent years.

3 Summary of Reasons for the Recommendations

- 3.1 To agree a Local Council Tax Support Scheme for 2017/18 taking into account the responses from the consultation undertaken during the summer.

4 Key Facts

- 4.1 The Local Government Finance Act 2012 set out measures that required all Council Tax billing authorities to devise a local Council Tax Support (CTS) scheme to replace the previous Council Tax Benefit Scheme. The scheme only applies to claimants of working age as people of pensionable age have a prescribed scheme laid down by Central Government.
- 4.2 The scheme was introduced in 2013/14 alongside all the Leicestershire Districts and the County Council with the aim of a broadly similar scheme across the County. This was achieved, though different contribution rates were determined locally, Harborough rate was a minimum contribution rate of 15%. Across the County a discretionary Council Tax hardship fund was introduced and jointly funded. It provides support to those experiencing financial hardship from the introduction of the scheme.
- 4.3 The Local Council Tax Support Scheme is a scheme of discounts for council taxpayers on low incomes. The cost of these is met from the Council's General Fund budget. Within Harborough 1,409 households of working age who must contribute at least 15% of their Council Tax Bill and 1,899 pensioners are eligible for 100% support.
- 4.4 Since 2013/14, each local authority has been required to adopt its own CTRS (a national scheme of council tax benefit applied before that year). The Council's scheme was approved in 2013. In order to make any material changes to the approved scheme, legislation requires that a full public consultation must be conducted. The public consultation was conducted over the summer and is detailed in this report and summarised in **Appendix C**
- 4.5. The legislation requires the Council to adequately protect vulnerable groups. The Council has a discretionary relief fund of £21,786 per annum. The hardship fund is funded by all the preceptors in line with agreed percentages; to date the demands on the hardship fund have been limited. At the end of Quarter 2 the Council has awarded 65 applications for Extreme Financial hardship for a total of £10,561.
- 4.6 The District Council act as the billing authority for all the preceptors and Harborough District Council is the body that have to adopt the scheme after consultation with the preceptors.
- 4.7 The purpose of this report is to consider potential changes to the Council Tax Reduction Scheme for 2017/18 The Council may decide to leave the current scheme unchanged, or adopt an alternative scheme with differing levels of support. These are detailed in this briefing.
- 4.8 The consultation focused on whether to change the contribution rate from the current 15% to 20%, 25% and 30%. The potential increase in income for the Council and other preceptors from each of the options is summarised in the below table.

	20%	25%	30%
	£	£	£
HDC	6,937	13,874	20,811
LCC	38,652	77,305	115,697
Leicestershire Police	6,294	12,588	18,882
Leicestershire Fire	2,113	4,225	6,338
Total	56,996	107,992	161,988

Whilst the amount per billing authority is relatively small, when aggregated for the County there could be the potential for £1.3 million additional funding for LCC if billing authorities were to agree a 30% contribution for people of working age.

- 4.9 The majority of people do and have paid their share of the Council Tax on time. However looking at the trend in recent years when other national welfare changes have impacted the Council is experiencing increased arrears and by implication people who are incurring extra costs from summons and court costs. The arrears position is detailed below.

Working Age - Council Tax Arrears		
Relating to Financial Year	as at 30/09/2016	Number of People in arrears
2013/14	£28,706	105
2014/15	£28,278	171
2015/16	£42,525	303
2016/17	£84,651	1,193
	£184,160	

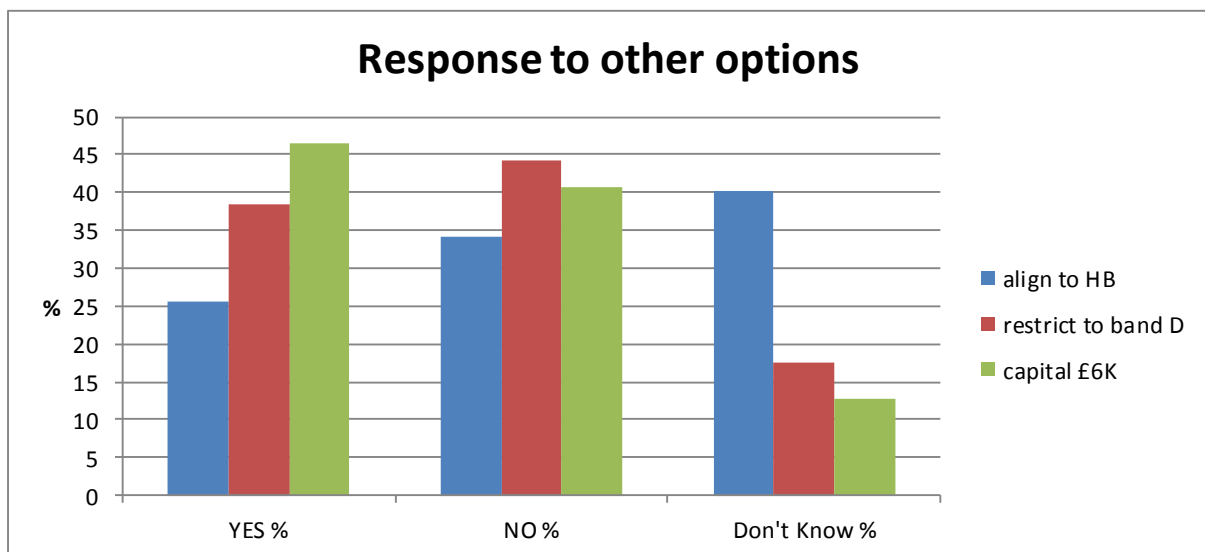
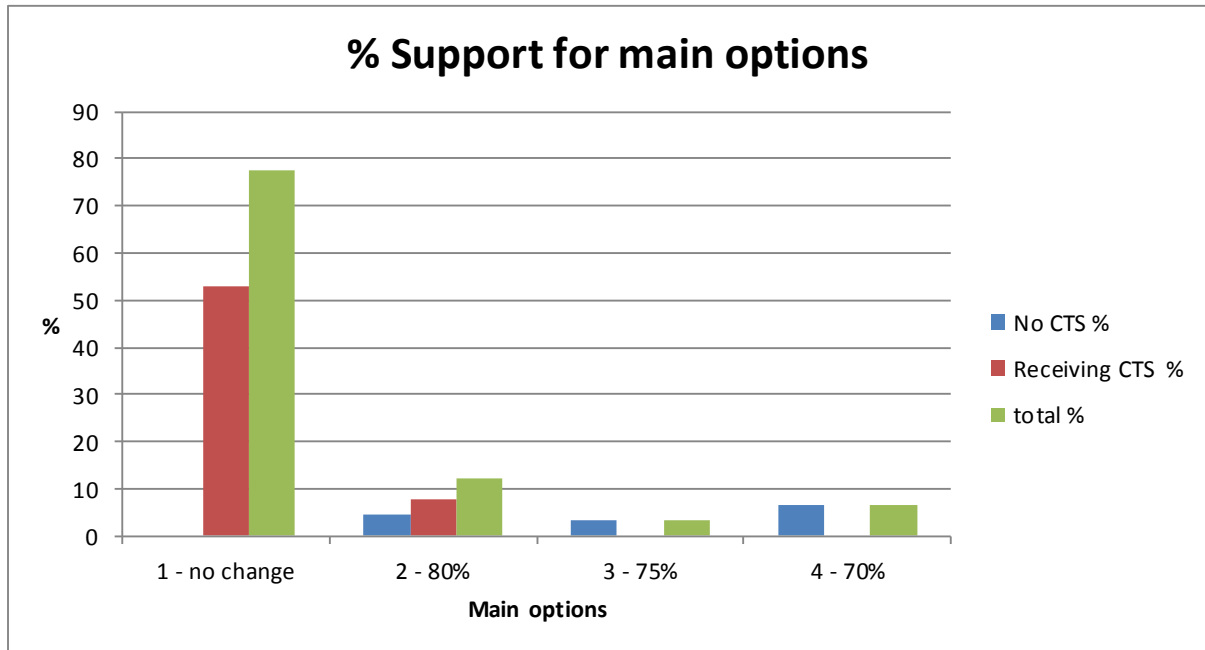
4.10. **Consultation**

The consultation sought people's view on the increase in contribution for people of working age from 15% to 20%, 25% and 30% it also asked supplementary questions on

- Limit CTS awarded to the Band D level
- Reduce the maximum savings from £16,000 to £6,000, i.e. if a claimant has more than £6,000 savings they would not be entitled to Council Tax Support
- Align Council Tax Support rules to Housing Benefit Changes

There were 89 responses (which was higher than most Leicestershire Districts). The key results of the consultation are shown in the below graphs.

The findings of the consultation is attached at **Appendix C**



4.11 There is a preference to retain the scheme as present. This needs to be weighed against the additional Council tax yield that would be generated from any changes. There was a more balanced view on the supplementary questions; However, it is recommended that these are only considered if there was to be a proposed change in the contribution rate.

The Consultation would have had responses from a variety of ages and claimant type. Given a nationally prescribed scheme for pensioners the

responses may be distorted by peoples understanding of what scheme applied to their particular circumstance.

- 4.12. The County Council made a formal representation during the consultation that is replicated below

The Council is keen for the schemes to be revised to;

- a) Improve the fairness of support levels and, where possible, have consistent schemes across Leicester and Leicestershire, and*
- b) Maximise Council Tax income available to the Council and wider public sector.*

As District Councils know the majority of any reductions in support levels will accrue in extra income to the County Council rather than District Councils, although a meaningful amount will also go to Fire and Police. Although the County Council recognises the final decision will be a balanced one that will need to take account of the public consultation and impact assessments, the Council would urge you to take due account of the impact on the wider public sector's financial position when considering any changes to the scheme. The County Council believes that our position as the lowest funded County Council in the country and the significant savings we need to make is well known. Failure to generate extra council tax income will mean even more savings will need to be made. The County Council would therefore support District Councils to reduce the levels of Council Tax support to 70%.

The County Council has acted quickly to plan sensibly for the impact of austerity and has already made savings of around £135m over the last six years and is set to make further savings of around £100m over the next five years. Those earlier savings were weighted towards efficiency savings but the scope for further efficiencies is diminishing and the balance of savings will need to move towards service reductions, which will impact on the service users and residents of the County.

The County Council recognises the impact of the changes on affected groups and will continue to provide funding to support the most vulnerable people affected through a discretionary discount fund contribution.

4.13 **Impact**

The Council commissioned some modelling of what the impact would be on certain groups of claimants. Headline figures from the analysis are detailed below. The analysis of the modelling is attached at **Appendix A**

	Average loss in support	Number of people of working age who would drop out of any support	Typical loss
	£	£	

20% contribution	48.72	23	-6.7%
30% contribution	144.60	60	-19.8%

The current number of working age claimants is 1,409

- 4.12. The modelling indicates that the most significant impact will be on low income employed or self employed households and in respect of lone parents. Modelling of the impact of changes on household type is detailed below:

Modelling of a 20% minimum contribution	Average loss in support	Average CTS Received per week	Change per week	Typical loss
	£	£	£	
Single	592	12.87	0.87	-6.4%
Lone Parent	558	11.14	0.86	-7.2%
Couple no children	87	17.47	1.20	-6.4%
Couple with Children	172	17.85	1.26	-6.6%

The impact is significant in percentage terms for all working age claimants. At the moment claimants of pensionable age are not impacted upon by any changes.

- 4.13. The impact of a claimant of working age of potential changes is well illustrated by the following scenario.

Miss S is a single parent who is working and is in receipt of earnings, tax credits and child benefit, Currently her Council Tax is £902.59 of which the maximum support is 85%, i.e £767.20 which works out about £14.71 per week. However Miss S is working and has income levels above the applicable amount (the amount that the Government determines is the minimum amount she needs to live on. Her Council Tax support is therefore tapered using a calculation which deducts 20% of the weekly income that she has above the applicable amount.

Presenting the answers simply this has the following impact

	Award/year
	£
Current Scheme @ 15% liability	120.97
@ 20% liability	75.60
@30% support	0

This example illustrates the impact on someone who is working but is in receipt of support and other benefits of any changes in the scheme. It is important to note that if someone falls out of being eligible for Council Tax support they would not be eligible to access the hardship fund.

- 4.14. There are significant changes in the welfare arrangements including universal credit alongside housing benefit and rent changes and caps. A key component of these changes is that individuals will be expected to proactively manage their finances rather than payments being paid directly to landlords. It is also expected that claimants may experience a number of timing delays in respect of receipt of other benefits. Against this context, the payment of council tax may not be the first priority compared to other priorities, for example rent. This could lead to increased arrears and potentially additional costs linked to being in arrears.

Linked to the Council Priority of support to the vulnerable it is recommended that the Council do not adopt any change to the current scheme for 2017/18 whilst the impact on individuals/households of other welfare changes is quantified.

There is a requirement to consider the scheme annually and any changes would be subject to appropriate consultation.

- 4.15 It is expected that alongside other national welfare changes that there could be more people who will not be able to pay and possibly fall into arrears. Potential impacts could be:

- The need to review performance targets for Council Tax collection, therefore potentially reducing total amount available for distribution to preceptors.
- Possible impact on rent collection, as tenants focussing on payment of Council Tax.
- Once full service is rolled out and there are lengthy delays for UC payments, any available funds may be focused elsewhere.
- Additional pressures on services (Revenues, Customer Services, CAB, Money Advice) issuing recovery notices, and then dealing with enquiries around repayment, debt advice. All areas that are seeing reduction in funding.
- Increased enforcement action activity.
- Increase complaints, due to perceived inappropriate enforcement action for “can’t pay”.
- Increased provision for bad debt write off required.
- Consideration must be given to those that fall out of Council Tax Support assistance completely due to the % increase, and there cannot be helped by the Discretionary Discount Fund as CTS is not in payment.

4.16 **Setting of the Council Tax base**

The Council is required to set annually the Council Tax base in accordance with The Local Authorities (calculation of Council Tax Base (England) Regulations 2012. This requires us to extract information from the Council Tax System at the relevant date, 30th November each year and include discounts and exemptions alongside an assumption of collection rate (98.5%, this is not recommended for change).

4.17 Whereas, the Council Tax base has traditionally been approved annually by Full Council there is not a statutory requirement for this to be a reserved matter for Council. A number of Councils have therefore delegated it to the S151 Officer on a recurrent basis.

4.18 Setting of the Council tax base in December is essential as this information is provided to our Parish Councils and Parish Meetings to let them meet agree and evidence their precept needs. To facilitate this and acknowledging that Executive could choose a different option than the retention of the existing scheme it is necessary to delegate the setting of Council Tax to the S151 Officer to ensure timely setting of precepts. As the Council Tax base is essentially a factual report it is appropriate to delegate the setting of the Council Tax to the S151 Officer for future years as well.

5. Legal Issues

5.1 The Local Government Finance Act requires all local authorities to have an approved Local Scheme for Council Tax Support,

5.2 The current scheme meets the requirements of the Act. The Council has undertaken a consultation in accordance with the requirement of the Act and Scheme should Members be minded to amend the current scheme

6 Resource Issues

6.1 The report details the projected additional Council tax yield from adopting different contribution rates. Setting an increased contribution rate for working age claimants would increase income. However, there is a risk that arrears will increase and additional bad debt provision may be required that would reduce the 'cashable' benefit to the Council from the proposed change in the scheme. It is expected that the overall collections rate of 98.5% will be maintained as the LCTS scheme is only a small part of the overall Council Tax collected.

6.2 The major preceptors have indicated that they would continue to contribute to the discretionary discount scheme in respect of hardship cases for the 2017/18 financial year. This would still need to be agreed prior to the 1st April 2017.

7 Equality Analysis Implications/Outcomes

- 7.1 The proposed scheme does not seek to discriminate against any particular group as the proposals will impact on all individuals in the same manner. The mitigation to the changes is met through the continuation of the discretionary discount scheme that provides support to those most in need. An Equality Impact Assessment is attached at **Appendix B**

8. Risk Management Implications

- 8.1 There are no additional risks as the recommendation is to maintain the current scheme,

9 Consultation

- 9.1 A public consultation was undertaken in the summer of 2016 and is attached at **Appendix C**. Members should consider the response from the consultation is making their recommendation.

- 9.2 Consultation has taken place with the portfolio holder.

10. Options

- 10.1 The options are detailed in paragraph 4.10 of the report.

- 10.2 Other options include

(a) Increasing the contribution rate from the current 15% to 20%, 25% or 30% - this has been illustrated in the report for a change to 20%. Modelling results for 25% or 30% contribution rates are detailed in **Appendix A**.

(b) Implement the following options

- a. Limit CTS awarded to the Band D level
- b. Reduce the maximum savings from £16,000 to £6,000, i.e. if a claimant has more than £6,000 savings they would not be entitled to Council Tax Support
- c. Align Council Tax Support rules to Housing Benefit Changes

The modelling for this is contained in **Appendix A**. This is not recommended for 2017/18 due to the cumulative impact of other welfare changes

11 Background Papers

- 11.1 None

Previous report(s): Executive, 11th July 2016. Local Council Tax Support Scheme

Information Issued Under Sensitive Issue Procedure: n

Ward Members Notified: N

Appendices

A: Council Tax Support Modelling for Harborough District Council by Policy into Practice

B. Equality Impact Assessment

C. Consultation Summary