

**North East Derbyshire District Council**

**Council**

**21 January 2019**

<p><b>Local Council Tax Support Scheme</b></p>
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**Report of Councillor P R Kerry, Portfolio Holder for Finance**

This report is public

**Purpose of the Report**

- To recommend that Council agree to continue the current Local Council Tax Support Scheme into the 2019/20 financial year.

**1 Report Details**

- 1.1 In the 2010 Spending Review the Government announced its intention to introduce a localised system for council tax support from April 2013 which replaced the national Council Tax Benefit (CTB) system. As part of a wider package of public expenditure reductions and reforms to the welfare benefit system the proposals were required to deliver a 10% reduction in expenditure. North East Derbyshire District Council has implemented a local scheme since 2013/14. This report in effect seeks the agreement of Council to continue to operate the current arrangements into the new financial year (2019/20).
- 1.2 A key issue for the understanding of the Local Council Tax Scheme is to note that under the arrangements prior to April 2013 central government funded the actual cost of the Council Tax benefit scheme. Under the current localised arrangements local Councils are required both to fund 10% of the overall cost, while the risk of any increase in the cost of the scheme also falls upon the local Council. The burden of these additional financial costs which effectively reduces the Council Tax base are shared between Derbyshire County Council (69%), the District Council (11%), the Police Authority (10%), Fire and Civil Defence (4%) and the Parish Council's (6%). Arising from the ongoing reform to the benefits system there are potentially likely to be further upward pressures on the financial cost of the current arrangements.
- 1.3 As part of the funding arrangements for the local scheme a range of measures amending the Council Tax discounts and exemptions have been operated to protect the levels of income to the precepting authorities. It was possible to amend these discounts and exemptions because the Government amended the relevant regulations. These changes – which partly mitigated the loss of income from the reduction in Government support - include:-
- A 100% charge (previously 90%) for empty properties and empty homes.
  - A local discount of 100% for vacant properties that would previously have qualified for an exemption, for periods of up to three months. A three month discount was agreed to avoid having to collect small amounts of debt which would arise as residents sold or moved property.

- A local discount of 100% for properties which are uninhabitable due to them requiring or undergoing major structural repairs or alterations for a period of up to 12 months.

## **Local Council Tax Scheme 2019/20**

1.4 The scheme that is recommended to the Council for adoption in respect of the next financial year (2019/20) is effectively a continuation of the existing arrangements. The key features of the proposed scheme are as follows:

- Local Council Tax Reduction arrangements will cover up to 91.5% of the Council Tax liability, leaving local residents of working age to pay a minimum of 8.5% themselves. Assuming they were living in a Band A property then the Council Tax Liability would be in the region of £95 p.a. for a couple or £70 p.a. for a single person. Those of pensionable age continue to be eligible for Local Council Tax Reduction of up to 100% of their Council Tax liability.
- The Council operate a taper rate at which benefits are reduced as people move back into work of 20 per cent. Although increasing the taper would reduce the amount of Council Tax support people receive any increase might well be viewed as a disincentive to either a return to work, or to increasing their earnings therefore the rate proposed for 2019/20 will remain at 20%.
- The Council continues to take advantage of the revised Government regulations which allow a full charge (100%) in respect of Empty Homes and Holiday Properties.
- The Council allows a local discount of 100% on the requirement to pay for unoccupied and unfurnished properties for a period of 3 months. In a situation where a property becomes occupied or furnished for a period of 6 weeks or less it will only be eligible to receive discount for any of the original three month period which remains. Those properties that are uninhabitable due to them requiring or undergoing major structural repairs or alterations continue to benefit from an exemption for a period of up to 12 months.
- When the scheme was originally introduced the District Council received Government support within its Revenue Support Grant to fund the costs of protecting Town and Parish Council for the loss of Council Tax income resulting from the introduction of the local Council Tax scheme. As the level of Revenue Support Grant has declined the District Council has been required to reflect that reduction in the contribution passed on the Parish Councils. The level of subsidy provided to Parish Councils in respect of the Council Tax Support Scheme will be reduced in respect of the 2019/20 financial year.

1.5 The Council has experience of operating the recommended scheme over a six year period and it would appear to have a number of advantages over alternative arrangements. In the first place the scheme is in line with that operated by other Councils in the area. This avoids confusion amongst local residents and ensures that we do not create an incentive for individuals to move from one District to another purely to optimise their position in respect of the welfare system. Secondly, the current arrangements do appear to operate relatively well and the available evidence supports the view that Council Tax at a level of 8.5% is collectable. Likewise, the

revision to the Discounts and Exemptions has operated in a satisfactory manner and given the financial benefits which they provide it would appear to be appropriate to continue this policy. While the existing scheme has resulted in an adverse impact on a number of individuals the Council has continued to work with local advice and welfare organisations and has addressed issues which have arisen in individual cases. Prior to its introduction in 2013/14 the local scheme was subject to a comprehensive programme of consultation which indicated that it was perceived as the most appropriate option.

- 1.6 Council should note that the detailed administration of the scheme will be in accordance with the regulations set out within The Council Tax Reduction Scheme (England) Regulations 2012, as amended for the local decisions as agreed by Council. Full details of the local scheme are available on the Council's website. It should be noted that the operation of the scheme depends upon the premiums, allowances and non-dependent deductions for the elderly being uprated in accordance with figures provided by the Department for Work and Pensions. For working age claimants the premiums and allowances are uprated in accordance with those provided by the DWP for Housing Benefits and the non-dependent deductions are the same as those for elderly cases. The figures that will apply in respect of 2019/20 have not yet been provided and therefore the technical necessary updating to the scheme will be undertaken under delegated powers previously granted to the Chief Financial Officer. This is part of a wider delegation covering other minor technical changes where amendment of the scheme may be necessary during the course of the financial year in order to ensure that the local scheme reflects accepted practice and DWP guidance.

## **Issues for Consideration**

- 1.7 The main issue for consideration within the report is whether the Council should continue to operate during 2019/20 a Local Council Tax Support Scheme along the lines that have been applied since 2013/14. The report outlines the issues that need to be taken into account when considering the recommendation that the Council should effectively continue to operate the current scheme into 2019/20.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 To ensure that the Council is able to continue to operate a localised scheme providing council tax support for vulnerable groups from April 2019.

## **3 Consultation and Equality Impact**

- 3.1 Council tax support is intended to provide financial support to some of the most vulnerable groups in society. The Government has given a commitment to protect those of state pension age but does not prescribe in statute which other vulnerable groups should be protected. Instead, local authorities have been required to take into account existing duties in relation to vulnerable groups in designing their schemes. The following duties must therefore be considered:

- The public sector Equality Duty;
- The duty to mitigate the effects of child poverty; and
- The duty to prevent homelessness.

- 3.2 Prior to the introduction of the current scheme an extensive programme of public consultation was undertaken during the autumn of 2012 which supported the view that the current arrangements were viewed as being the most appropriate way forward. Following on from the public consultation an Equalities Impact Assessment (EIA) was prepared prior to the implementation of the current scheme. The results of that consultation exercise were reported to Council as part of the process of adopting the scheme.
- 3.3 With regard to the Localisation of Council Tax initiative the scheme that has been adopted is intended to apply uniformly to all benefit claimants and does not seek to protect particular groups from the impact of the changes. Changing some of the calculation parameters income disregards such as child benefit, non-dependent deductions, and capital savings would secure significant savings. However, given that the existing benefit system has been developed to protect a number of disadvantaged groups the position has been adopted that this Council should continue to operate wherever possible within the guidelines set by and the existing framework of recognising need. Thus, for example, removing the Child Benefit disregard from the calculation of eligibility for Council Tax benefit was considered to have a disproportionate impact upon a particular group and was unlikely to be acceptable within the context of child welfare legislation.
- 3.4 There was a full communications and engagement plan developed and implemented in partnership with other Derbyshire authorities during the autumn of 2012. Informal consultation and co-operation has continued with a variety of different stakeholders including those receiving Council Tax support, community and voluntary groups, advocacy groups and precepting authorities. This work has informed the decision to recommend retention of the existing local arrangements.

#### **4 Alternative Options and Reasons for Rejection**

- 4.1 These are covered throughout the main body of the report and in particular in the Financial Implications section.

#### **5 Implications**

##### **5.1 Financial Implications**

- 5.1.1 The financial implications are set out throughout this report. Officers are working on developing a budget for 2019/20 based upon the assumption that Council will accept the recommendations contained within this report. On the basis of the work that has been undertaken to date it would appear to be reasonable to conclude that the Local Council Tax Support Scheme as outlined within this report is an affordable option for the District Council. While the approach adopted does mean that part of the cost of the Local Scheme will continue to fall upon the District Council rather than being passed on to those of working age on benefit a clear factor in this decision has been that if the full cost of the reduction in Central Government support were passed on to those in receipt of benefit then the associated Council Tax liability may well become uncollectable. On the basis of evidence to date a Council Tax liability of 8.5% for those of working age on benefits is a collectable amount.

- 5.1.2 In considering this report Members also need to take into account that the recommendations have an impact on the other local authorities operating within this area. The County Council, the Police Authority, Fire and Civil Defence and the Parish Council's all see a reduction in their income from Council Tax as a result of the recommendation not to seek to fully recover the loss of central government support for Council Tax payment to those on benefits. It does, however, need to be recognised that to increase beyond the level of an 8.5% charge may result in a significant increase in non-collection rates and in administration costs. These are likely to undermine any financial gain which may result from an increase beyond the 8.5% recommended. Secondly, the other Councils concerned have effectively already had to build the loss of Council Tax income in respect of 2019/20 into their base budgets.
- 5.1.3 The income that will arise to this Council from charging a minimum of 8.5% Council Tax to those of working age on benefits is estimated to be £45k. The corresponding income for the County Council will be £240k, for the Police Authority will be £30k, for Fire and Civil Defence will be £15k and for the Parish Councils would be £15k. In overall terms the decision to charge Council Tax at a minimum level of 8.5% will generate in excess of £0.3m of income for the local authority bodies serving North East Derbyshire District Council. While significantly more funding could have been raised by increasing the charge to a minimum level of 20% it is considered that adopting this policy would significantly increase the level of non-recovery. Accordingly this was not considered to be an appropriate policy to adopt.

## **5.2 Risk Implications**

- 5.2.1 There are a range of risks associated with the operation of a Localised Council Tax Benefit scheme. Central to the scheme is the Government's localism agenda under which powers are transferred from central government to local authorities. With the transfer of powers there is invariably a transfer of risk.
- 5.2.2 The first group of risks concerns what might be termed operational issues. Under previous arrangements local councils were responsible for the local administration of a scheme which is effectively prescribed by central government. While local authorities will continue to be constrained in their choices by both national legislation and by the IT systems available to administer the scheme there is a limited increase in local discretion. The scheme that is proposed in respect of 2019/20 is, however, effectively a continuation of that which is currently operating. While there have and continue to be a range of operational difficulties arising from the scheme these have been effectively managed during the course of the current financial year.
- 5.2.3 The second set of risks is financial. Under previous arrangements Central Government essentially funded the cost of the scheme and therefore an increase in the level of demand due to an increase in the number of people reaching retirement age, an increase in the number of people out of work, or an increase in the take up rate in respect of benefits was effectively funded by Central Government. Under the new arrangements these costs will fall upon the local authorities who are funded from the Collection Fund. Given that changes in the number of elderly people in an area, fluctuations in take up level and changes in employment levels are to a large extent outside of the control of local authorities there is relatively little that can be done to mitigate these risks. In addition the localised Council Tax scheme is operating at the same time as a more widespread reform of the benefits system. It is likely that reforms

to the various strands of current benefit arrangements will have an impact upon the circumstances of local residents which may be detrimental to the effective operation of Council Tax arrangements.

### **5.3 Legal Implications including Data Protection**

- 5.3.1 These are covered throughout the report which has been written in the light of the legislative framework concerning a local Council Tax scheme.

### **5.4 Human Resources Implications**

- 5.4.1 There are no staffing issues arising directly from this report as the recommendations are to continue to operate the existing scheme which has been managed effectively since April 2013.

## **6 Recommendations**

- 6.1 That Council agrees to continue to operate a Local Council Tax Support scheme for 2019/20 based on The Council Tax Reduction Scheme England Regulations 2012 amended to reflect the following local decisions concerning the key principles of the scheme:
- For those of working age the maximum amount of Council Tax that will be eligible for reduction is 91.5% of their full Council Tax Liability.
  - The Council continues its policy of disregarding war pensions for the purposes of calculating income in respect of Council Tax reduction scheme at a total estimated cost of £20k.
- 6.2 That Council note that in line with the position set out in this report that the Chief Financial Officer will utilise previously granted delegated powers to update the Local Council Tax scheme to reflect such upratings of premiums, allowances and non-dependent deductions as may be determined by the Department of Work and Pensions, and for other minor technical changes which may be required.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	N/A
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All.

## 8 Document Information

Appendix No	Title
N/A	
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
BACKGROUND PAPERS: <b>Department for Communities and Local Government (DCLG) consultation papers and Statement of Intent (May 2012):</b> <a href="http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax">www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax</a> The Council Tax Reduction Scheme (Default Scheme) England Regulations 2012	
Report Author	Contact Number
Dawn Clarke – Head of Finance & Resources	01246 217658