

**North East Derbyshire District Council**

**Council**

**4 January 2016**

**Proposed Local Council Tax Support Scheme**

**Report No: PRK/19/15-16/BM of Councillor P R Kerry with Portfolio Responsibility  
for Economy, Finance and Regeneration**

This report is public

**Purpose of the Report**

- To recommend that Council agree to continue the current Local Council Tax Support Scheme into the 2016/17 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 an appropriate 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 (2016/17).
- 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 not only were local Councils initially required to fund 10% of the cost, 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 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.

## **2 Proposed Local Council Tax Scheme 2016/17**

2.1 The scheme that is recommended to the Council for adoption in respect of the next financial year (2016/17) is essentially a continuation of the existing arrangements. The key features of the proposed scheme are as follows:

- Local Council Tax Reduction will be allowed to 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 £90 p.a. for a couple or £67 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 2016/17 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.

2.2 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 2016/17 have not yet been provided and therefore it is recommended that delegated powers are granted to the Chief Financial Officer to amend the local scheme with the relevant details once these are available. In addition to these specific delegations it is considered appropriate that the delegation should be extended to cover 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.

2.3 The Council has experience of operating the recommended scheme over a three 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.

2.4 Officers have monitored the performance of the current arrangements including considering the views and representations from the range of people affected by the scheme. In considering the recommendation to continue the current scheme into 2016/17 Council may wish to note the following:

- The level of financial support for Council Tax Support is not separately defined in the grant settlement as it is included within the general Revenue Support Grant (RSG) figures. The RSG continues to be reduced which in part reflects a reduction in the level of funding in respect of Council Tax support. Accordingly it is appropriate that part of that reduction in the level of support should be passed on to the Parish Councils. The Council has an agreed policy of reducing the level of grant by a figure of some 10% per annum. A similar reduction is proposed in respect of next year 2016/17.
- Given that the cost of the scheme will continue to increase and the original grant funding from the Government (which was provided as part of Revenue Support Grant) is being withdrawn Officers would recommend that the affordability of the current policy is reviewed as part of the process of approving the Council's Medium Term Financial Plan 2016/17 to 2018/19. On the basis of the proposals set out within this report the scheme will cost this Council some £275,000 in 2016/17 which may not be sustainable given the extent of the expenditure reductions which the Council needs to implement over the coming years. In the light of the Council's financial position it may be appropriate to speed up the rate at which this grant support is reduced.
- A further advantage in accelerating the ending of the grant payment to the Town and Parish Council's is that it will simplify the administrative arrangements and return them to a position where the Town and Parish Council's secure their income on the basis of the Council Tax base, rather than on a combination of Council Tax and grant. The existing arrangements significantly complicate the position for the local councils in working out their budgets.
- With respect to the level of Council Tax to be charged to local residents of working age eligible for benefits the Council has previously considered 3 options. The first was to retain the existing minimum charge of 8.5%. The second was to make no charge to those of working age in receipt of benefits.

The third was to make a charge in excess of 20% in order to ensure that the costs of the loss of Government Grant on the local scheme were fully covered. The view that previously emerged from detailed local consultation indicated the most residents were of the view that 8.5% remained the appropriate level. This was seen as being in line with other authorities, as being collectable and as an appropriate balance between the ability of those on benefits of working age to pay and the ability of precepting authorities to make further expenditure reductions.

- Given the pressure on the public bodies concerned the retention of the revised policy in respect of Discounts and Exemptions was considered to be appropriate. While these measures will have resulted in financial hardship for some local residents they do provide incentives to make more effective use of Empty Property.

2.5 While the existing scheme – on which the recommended scheme for 2016/17 is based – has been the subject of some criticism and has resulted in an adverse impact on a number of individuals there is an acceptance that the scheme has worked reasonably well. The Council has continued to work with local advice and welfare organisations and has addressed issues which have arisen in individual cases. While there is an awareness of the financial difficulties that have been caused to those affected the Council has worked with those individuals to ensure that they are given appropriate advice and support. This includes referrals to advice agencies who can assist in the return to paid employment, or who can provide financial advice and support. 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 an appropriate option. Locally most local authorities operate a similar scheme and are intending to retain that scheme for the coming financial year. Remaining in line with other authorities in the area does have a number of advantages in respect of helping local residents to understand the arrangements that are in place.

### **3 Operation of the Scheme**

- 3.1 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.
- 3.2 The Council should note that the scheme is administered through adjustments to the Tax Base. This is essentially a technical calculation based upon the number of properties and the tax band into which they fall. As such the determination of the Tax Base has been delegated for a number of years to the Council's Chief Financial Officer. It is recommended that this practice be continued. In deciding whether to agree to reaffirm this delegation Council should note that once the principles of the scheme – as set out within this report have been agreed – that the determination of the Council Tax Base is a technical decision which can be appropriately delegated to Officers.
- 3.3 The introduction of the Local Council Tax Support Scheme was part of the Government's wider localism agenda. A further key policy initiative – also introduced with effect from April 2013 – concerned the localisation of non domestic rates. Under

this initiative the Council is allowed to retain part of the growth in non domestic rates. The income that is retained from non domestic rates now constitutes part of the budget setting process and the amount available locally is determined by the figures which are provided in the NNDR1 (National Non Domestic Rates 1). This form is required to be submitted by the Council to the Department for Communities and Local Government at the end of January in each financial year. The legislation which introduced the partial localisation of NNDR requires a local decision as to what details should be included within that form. In addition the Government has included a requirement that the Council should be aware of the information that is contained within this form.

- 3.4 The decisions that need to be taken concerning the NNDR form are similar in nature to those that are required in respect of the Council Tax Base and concern the values of the properties included on the non domestic rating list, an estimated collection rate and an adjustment for the potential outcome of those revaluation appeals which are currently within the system. While there is a significantly element of volatility built into these arrangements in a situation where the estimates adopted turned out to be inappropriate then any changes in income will be adjusted as part of the process of managing the budget. The Government has also built a safety net into the system which should protect individual local authorities in a situation where significant volatility is experienced. Given the nature of the decisions and the timing of the return in relation to Council meetings it is recommended that the existing delegation to the Chief Financial Officer to complete the NNDR1 form on behalf of the Council should continue. In view of the fact that the figures which are incorporated into the NNDR process are now part of the Council's budget it would seem appropriate that they are reported to Members as part of the Council's Medium Term Financial Plan 2016/17 to 2018/19 which will be considered by Council at its meeting of 15th February 2016. Arguably the key information contained within the NNDR1 form concerns the issue of whether the Council is growing its commercial and industrial base and thus promoting local prosperity. Given the importance of the Growth Strategy to the Council this is an issue which will be considered by Elected Members on a regular basis.
- 3.5 Finally, Council should note that in respect of 2016/17 that this Council will continue to be a member of a pooling arrangement of all of the authorities in Derbyshire in respect of National Non Domestic Rates. A detailed report on this issue was taken to Council at its meeting of 27<sup>th</sup> October 2014. On the basis of existing information membership of the pool has secured significant benefits to both this Council and to Derbyshire County Council and the Fire and Rescue authority - both of which provide services to our local residents - in respect of the current financial year (2015/16) while the 2016/17 budget is assuming a continuation of this financial advantage which arises from membership of the Pool.

#### **4 Issues for Consideration**

- 4.1 The main issue for consideration within the report is whether the Council should continue to operate during 2016/17 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 2016/17.

## **5 Conclusions and Reasons for Recommendation**

- 5.1 To ensure that the Council is able to continue to operate a localised scheme providing council tax support for vulnerable groups from April 2016.

## **6 Consultation and Equality Impact**

- 6.1 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.

- 6.2 An Equalities Impact Assessment (EIA) was prepared prior to the implementation of the current scheme which was reported to Council as part of the process of adopting the scheme.

- 6.3 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 some significant savings. For example removing the child benefit disregard would have raised £140,000. 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.

- 6.4 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.

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

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

## **8 Implications**

### **8.1 Financial Implications**

- 8.1.1 The financial implications are set out throughout this report. Officers are working on developing a budget for 2016/17 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.
- 8.1.2 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 2016/17 into their base budgets.
- 8.1.3 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 some £35k. The corresponding income for the County Council will be £220k, for the Police Authority will be £30k, for Fire and Civil Defence will be £10k and for the Parish Councils would be £20k. 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.
- 8.1.4 It should be noted that at the outset of the localised Council Tax arrangements that the overall loss of Government funding in respect of Council Tax support amounted to some £0.7m. Of this some £0.3m was recovered from agreeing to a minimum charge of 8.5%, while a further £0.1m was recovered from the amendments to the Discounts and Exemptions leaving a balance of some £0.3m to be found by the local authorities and associated bodies. This gives a broad indication of the initial cost to the scheme to local authorities, however, given that the Government no longer provides detailed analysis concerning the level of central funding provided it is not possible to project this calculation into 2016/17. In overall terms given that the

level of government funding has been significantly reduced it would be reasonable to assume that more of the financial burden is now falling upon local authorities.

## **8.2 Risk Management**

8.2.1 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.

8.2.2 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 2016/17 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.

8.2.3 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.

## **8.3 Legal Implications including Data Protection**

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

## **8.4 Human Resources Implications**

8.4.1 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.

## **9 Recommendations**

9.1 That Council agrees to continue to operate a local Council Tax Support scheme for 2016/17 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 (approx £90 for a Band A property).
- 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.

9.2 That in line with the position set out in section 3.2 of this report that the Chief Financial Officer be 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.

9.3 That the Council continues with a scheme for passing on relevant funding to the Parish and Town Councils operating within the District Boundaries in order to mitigate the impact of the changes associated with the introduction of the Localisation of Council Tax reform upon Parish and Town Councils, with the funding provided reduced by a further 10% in respect of 2016/17.

9.4. That once the details of Government funding are known in respect of 2016/17 and future financial years that the Council as part of the Medium Term Financial Plan considers the affordability of the current arrangements in respect of the level of grant support provided to Parish and Town Councils from the 2017/18 financial year onwards. The increasing costs of operating the scheme in the light of welfare reform together with the ongoing impact of the austerity agenda may result in a requirement to consider accelerating the rate at which grant support to the Parish Councils is reduced.

9.5 That, in view of the fact that they are purely technical decisions, Council notes its previous decision to grant the Chief Financial Officer the delegated authority to set both the Council Tax Base and to approve the NNDR1 form for the District in respect of 2016/17 and future financial years.

## 10 Decision Information

<b>Is the decision a Key Decision?</b> (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

11 **Document Information**

Appendix No	Title
<p><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)</p>	
<p>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</p>	
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