

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder Finance and the Interim Executive Director of Commercialisation

To: Cabinet – 10 January 2017

(Author: Sharon Hammond – Head of Service, Revenues and Benefits (CPBS)

Subject: Local Council Tax Support Scheme – 2017/18

Purpose: To agree the Council Tax Support Scheme for 2017/18, for recommendation to Full Council

Recommendations: That the Cabinet agrees and recommends to Full Council: -

- 1) That the Local Council Tax Support Scheme for 2017/18 be amended with the range of changes consulted upon: -
 - i. Second Adult Rebate – Reduce to 20% in 2017/18 (10% in 2018/19 and zero from 2019/20)
 - ii. Introduce a minimum level of Council Tax Support at £5 per week
 - iii. Increase non-dependant deductions by 10%
 - iv. Restrict Council Tax Support to Band D Council Tax
 - v. Reduce the Capital Limit to £8,000
 - vi. Reduce the lower capital threshold to £3,000
 - vii. Reduce the maximum level of Council Tax Support available to 70%
 - viii. Limit backdating to 1 month
 - ix. Remove family premium for new claims made
- 2) The introduction of a hardship policy, with delegation to the Executive Director of Commercialisation in conjunction with the Portfolio Holder Finance to develop the policy and operational practice.
- 3) Delegate approval for the final scheme policy to the Executive Director of Commercialisation in consultation with the Portfolio Holder Finance.

1.0 BACKGROUND

- 1.1 The Local Council Tax Support (CTS) scheme replaced the former national Council Tax Benefit (CTB) scheme from April 2013.
- 1.2 The scheme for pensioners continues to be prescribed by government, and allows up to 100% support against Council Tax liability.
- 1.3 War Disablement Pensioners and War Widowers are protected within South Holland's scheme.
- 1.4 In 2014/15 South Holland Council Tax Support Scheme required working age households to pay at least 25% of their Council Tax liability. This scheme has been reviewed annually and has not been changed in 2015/16 or 2016/17.

- 1.5 The costs of the Local Council Tax Reduction Scheme are borne in the following proportions by the County Council (76%), the Police and Crime Commissioner (13%) and South Holland District Council (11%).
- 1.6 In the Medium Term Financial Plan report to the Joint Performance Monitoring Panel and Policy Development Panel on 14th December 2015 it was suggested that this scheme be reviewed in 2016/17 as part of other opportunities work in the 2017/18 budget setting cycle. The panel supported this plan as part of the 2016/17 Medium Term Financial Plan.
- 1.7 Detailed examination has taken place with the Governance & Audit committee with reports presented on 28th July 2016 & 15th September 2016.
- 1.8 With some amendments, Cabinet decided at its meeting on 8th November 2016 to consult on changes to the working age scheme included in that report.
- 1.9 The proposed changes were presented and discussed at a meeting of the Joint Performance Monitoring Panel and Policy Development Panel on the 22nd November 2016; the points emerging from that meeting are included in the Consultation Report at Appendix B.
- 1.10 Consultation with the public took place between 11th November and 14th December 2016. The results of the consultation are summarised in Section 4 of this report, with more detail in Appendix B, Part 1.

2.0 **OPTIONS**

- 2.1 Option 1 – Do nothing. Retain the existing Council Tax Support Scheme for 2017/18
- 2.2 Option 2 – Revise the scheme through a range of changes.
The proposals consulted upon following Cabinet meeting on 8th November 2016 were: -
 - i. Second Adult Rebate – Phased removal over a three year period.
 - ii. Introduce a minimum level of Council Tax Support at £5 per week
 - iii. Increase non-dependant deductions by 10%
 - iv. Restrict Council Tax Support to Band D Council Tax
 - v. Reduce the Capital Limit to £8,000 (currently £16,000)
 - vi. Reduce the lower capital threshold to £3,000 (currently £6,000)
 - vii. Reduce the maximum level of Council Tax Support available to 70% (currently 75%)
 - viii. Limit backdating to 1 month (currently 3 months)
 - ix. Remove family premium for new claims made

These changes would see a reduction in Council Tax Support expenditure (based on current position) of around £187,000 (approximately £20,000 for South Holland District Council).

Details of the current scheme and effect of the proposed changes are provided in Appendix A.

3.0 **SUMMARY OF THE IMPACT OF THE CHANGES**

- 3.1 At the time of writing the report, if the changes are agreed as proposed, the impact in summary for claimants will be as follows:

Detail of change	Number of working age claimants affected
Abolish second adult rebate	37
Introduce a minimum weekly amount of £5	246
10% Increase in non-dependant deductions	144
Restriction to Band D Council Tax	25
Reduce capital limit from £16k to £8k	29
Reduce lower capital limit from £6k to £3k	116
Reduce maximum council tax support level to 70%	2848

Reduction in Council Tax Support	Average loss per year	Minimum loss per year	Greatest loss per year	% of Claimants losing above average	% of Claimants losing below average
£187,306	£67.23	£3.32	£1383.27	14%	86%

4.0 **CONSULTATION**

- 4.1 Consultation to gain the views of the public and other interested parties on the proposed changes to the Council Tax Support Scheme took place between 11th November and 14th December 2016.
- 4.2 The consultation was available on line, with paper copies available through Customer Services. It was promoted through South Hollands own channels of website and social media. Media coverage was also secured through the local newspaper in print and online.
- 4.3 A total of 30 responses were received. It is recognised this is a very low response rate and as such the results cannot be wholly relied on as being fully representative of respondent views or to be statistically significant.
- 4.4 The responses from the public consultation are summarised in the table below. Whilst acknowledging the response rate was low, the responses that were received demonstrate general support for the changes proposed.

	Yes	No	Don't know
Abolish second adult rebate, phased out over 3 years	68.97%	20.69%	10.34%
Introduce a minimum weekly amount (£5) of council tax support	70%	30%	0%
Increase non-dependent deductions by 10%	58.62%	20.69%	20.69%
Restrict Council Tax Support to Band D	53.33%	43.33%	3.33%
Lower the maximum capital limit from £16,000 to £8,000	58.62%	34.48%	6.90%
Lower the capital threshold from £6,000 to £3,000	51.72%	37.93%	10.34%
Reduce the level of Council Tax Support available from 75% to 70%	60%	40%	0%
Limit the back dating of benefit to 1 month (from 3 months)	72.41%	20.69%	6.90%
Remove the family premium for new applications	53.33%	36.67%	10.0%

4.5 Through the consultation process, views were also sought on whether South Holland should introduce a hardship policy, allowing individual circumstances of those affected to be examined from April 2017 and for time limited hardship payments where hardship is established through a claim process. This was again supported with 70% of respondents agreeing.

4.6 The consultation report, and the notes from the meeting of the Joint Performance Monitoring Panel and Policy Development Panel are provided at Appendix B.

5.0 REASONS FOR RECOMMENDATION

5.1 The local council tax reduction scheme will be in its fifth year of operation in 2017/18. An annual review is required, even if no changes are proposed. National funding for the scheme is diminishing with zero contribution from central government expected by 2019/20 which means that the full cost will be met by the precepting bodies (SHDC, Lincolnshire County Council and the Police).

5.2 Introducing the changes as outlined will help South Holland reduce the scheme expenditure in 2017/18. The introduction of a hardship policy would provide time-limited support in individual cases where hardship is established. This would alleviate the concerns expressed by members of the Joint Performance Monitoring Panel and Policy Development Panel.

5.3 When revising a scheme which has the effect of reducing the amount of Council Tax Support to which any claimant is entitled, the revision must include transitional provision as the authority thinks fit. The proposal includes a phased approach to the removal of second adult rebate over a 3 year period. In addition, the introduction of time limited support in individual cases where hardship is established will offer transitional provision for claimants.

6.0 EXPECTED BENEFITS

6.1 The Council is able to demonstrate that best practice is followed and that they are proactive in examining policies within the financial framework of the Council to ensure value for money criteria is being satisfied.

6.2 There will be a cost reduction to the Council of approximately £20,000

7.0 IMPLICATIONS

7.1 Constitution & Legal

7.1.1 The conditions of the existing scheme were reviewed against applicable legislation in 2012. The revised scheme will be subject to a similar review before it is introduced.

7.1.2 The current hardship policy of the council will operate with the CTS scheme conditions to allow individual cases to be examined as necessary. This is also likely to be used for transitional arrangements for individual claimants as needed.

7.2 Financial

7.2.1 Council Tax Support scheme costs in 2016/17 are forecast to be approximately £4,400,000 (£485,000 to this Council).

- 7.2.2 Working age claimant element costs approximately £1,718,000 with £189,000 (11%) borne by this Council.
- 7.2.3 The current Medium Term Financial Forecast approved February 2016 does not include any planned changes to the levels of discounts for working age claimants. If approved, the expected cost reduction will be built into the future forecast.
- 7.2.4 Applying the changes proposed will reduce CTS expenditure by approximately £187,000, based on current information. All working age claimants will be affected by the changes with the exception of war pensioners who are protected. The reduction in the overall level of CTS discount to 70% will affect all 2,848 claimants. Of these, 670 will also be affected by the individual discount adjustments. Overall weekly reduction for all working age claimants will be in the range of £0.06 to £26.60 depending on circumstances. The average overall loss is £1.29 per week; 86% of claimants will lose less than the average. 14% claimants will lose above average.
- 7.2.5 These changes represent an invest-to-save project with overall costs of £20k anticipated. Lincolnshire County Council has provisionally agreed to contribute £15k with £5k to be funded from the transformation reserve. The Police and Crime Commissioner will be asked to contribute £3k in line with the anticipated reductions in support going forward.
- 7.2.6 Software upgrades are required for further changes of a more fundamental nature are intended to progress with our system provider for operation 2018/19 and beyond.

7.3 Risk Management

- 7.3.1 Reduction in the level of Council Tax Support means working age claimants will be required to pay more of their Council Tax bill. An increased allowance for non-collection will need to be made. The impact on collection levels will be monitored over the course of 2017/18.
- 7.3.2 Changes to the local Council Tax Support scheme begin to move the working age scheme further away from the prescribed scheme for pensioners and the rules around Housing Benefit adding complexities to administration and customer contact. The administration of hardship claims will increase demands on the Revenues and Benefit service. During 2017/18 increased contact and demand on resources will be monitored.

8.0 WARDS/COMMUNITIES AFFECTED

8.1 All

9.0 ACRONYMS

- 9.1 CTS – Council Tax Support
CTB – Council Tax Benefit

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A	Local Council Tax Support explanatory information
Appendix B	Consultation report