

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance and Executive Director - Commercialisation (S151)

**To:** South Holland District Council Wednesday, 17 January 2018

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

**Subject** Local Council Tax Support scheme 2018/19

**Purpose:** For each financial year a billing authority must consider whether to revise its Local Council Tax Support scheme. The Council must approve the final scheme before 31<sup>st</sup> January each year.

**Recommendation(s): Council is asked to approve: -**

- 1) Continuation of the current Local Council Tax Support scheme for 2018/19, with up-rating in line with DWP's annual update of allowances and premiums for housing benefit.
- 2) Delegation to Executive Director – Commercialisation in consultation with Portfolio Holder for Finance to approve the final scheme policy in line with this report.

### 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 Local Government Finance Act 2012 sets out the process by which Councils must approve a Local Council Tax Support (CTS) scheme. Prescribed regulations include protection for pensioners but allow Councils to make changes in the way that support is calculated for working age claimants.
- 1.3 War pensioners and War Widowers are protected within South Holland's scheme.
- 1.4 Each year Councils are required to consider reviewing their local CTS scheme. For years 2014/15, 2015/16 and 2016/17 South Holland District Council's scheme provided a maximum amount of 75% support for working age claimants. For the current year, 2017/18, a number of changes were introduced: -
  - The maximum level of support was reduced to 70%, meaning that all working age households receive less CTS in 2017/18, and are now required to pay at least 30% towards their council tax liability.
  - The Second Adult Rebate was reduced to 20% in 2017/18 (with further reduction to 10% in 2018/19 and nil from 2019/20). This affects households where the claimant's own income is too high to receive CTS, but there are other adult(s) living in the household whose combined income is low.

- A minimum level of CTS at £5 per week was introduced. Where the amount of CTS each week would be less than £5, no CTS is now awarded.
- An increase in non-dependent deductions by 10% was implemented. A non-dependent is an adult living with a claimant but who is not dependent upon them, for example an adult son or daughter. Non-dependents are now expected to contribute more towards the household's Council Tax bill.
- Restricted CTS to Band D. This means claimants living in dwellings that are banded E, F, G or H have their entitlement to CTS calculated at the level of Council Tax Band D.
- Reduced the Capital Limit to £8,000. This means claimants with more than £8,000 in capital are no longer entitled to any CTS.
- Reduced the lower capital threshold to £3,000. This lowered the amount that is disregarded in the calculation of CTS.
- Limited backdating to 1 month. This change was in line with the changes made by DWP for Housing Benefit.
- Removed family premium for new claims. This change was in line with changes made by DWP for Housing Benefit.

## 2.0 CURRENT SCHEME REVIEW

2.1 The scheme changes introduced in 2017/18 and as outlined above have reduced the level of CTS expenditure. The following table shows the level of expenditure between 2016/17 and 2017/18 (as forecast 31 October), and indicates the cost to South Holland District Council, and the other major Precepting authorities.

	<b>2016/17</b>	<b>2017/18 forecast</b>	<b>Difference</b>
<b>CTS Expenditure</b>	<b>£4,310,003</b>	<b>£4,052,244</b>	- <b>£257,759</b>
Cost to South Holland District Council (approx. 11%)	£474,100	£445,747	- £28,353
Cost to Lincolnshire County Council (approx. 76%)	£3,275,602	£3,079,705	- £195,897
Cost to Police and Crime Commissioner (approx. 13%)	£560,301	£526,792	- £33,509

2.2 Conversely, the amount which has to be collected and recovered in 2017/18 is now greater from working age households in receipt of CTS, and whilst it is too early to predict the final in-year collection rate for 2017/18, at the end of October 2017 there is a slight reduction of 0.31% in the collection rate compared to the same point last year.

The following table compares collectable debit and collection rates at the end of October 2016/17 and 2017/18: -

	<b>31 October 2016</b>	<b>31 October 2017</b>	<b>Difference</b>
Collectable debit	£41,088,689	£43,278,797	2,190,108
Collected	£27,779,486	£29,125,192	1,345,706
% Collected	67.61%	67.30%	- 0.31%

2.3 Collection and recovery becomes more challenging as the amount working age households are required to pay in Council Tax increases and it becomes more difficult to recover the full charge in-year. Careful maintaining will be required as this change continues to be implemented.

- 2.4 South Holland District Council's discretionary hardship policy provides a mechanism for persons affected by the 2017/18 changes to apply for further financial support outside of the main CTS scheme. To date there have been no applications, although Revenues and Benefits staff continue to promote this.
- 2.5 Looking forward it is recommended that the Council Tax Support scheme is not changed for 2018/19, apart from uprating allowances and premiums in line with DWP's update for housing benefits, and that a further review is carried out for 2019/20 once the full effect of the 2017/18 changes have been considered.

This will allow the 2017/18 scheme changes to become embedded and provide a consistent level of support to working age households into 2018/19. The full Universal Credit (UC) service will roll out across South Holland in 2018/19, and retaining the CTS scheme will provide some certainty for claimants at a time when they are having to deal with the move onto UC.

Uprating the amounts used in the calculation of CTS maintains consistency with the housing benefit scheme. This includes personal allowances, premiums (which recognises the additional needs of disabled, carers and families) and the level of non-dependant deductions.

- 2.6 Retaining the discretionary hardship arrangements with a fund up to £20,000 for claimants directly affected by the 2017/18 CTS changes will ensure access to additional financial support in individual cases of greatest hardship.
- 2.7 A review for 2019/20 would allow consideration of the final effect of the 2017/18 CTS changes, and any emerging impact of UC.

### **3 OPTIONS**

- 3.1 Continuation of the current scheme into 2018/19, uprated in line with DWP updating of allowances and premiums for housing benefit (Recommended).
- 3.2 No alternative options are proposed. Any changes to the scheme would require consultation.

### **4. REASONS FOR RECOMMENDATION**

- 4.1 Following implementation of the changes set out in section 1.4 of this report, forecasted CTS expenditure for 2017/18 is lower than originally estimated. It is estimated that there will be a £28k cost reduction in CTS expenditure for South Holland District Council this year, compared to the estimate of £20k suggested in the report to Council 10 January 2017.
- 4.2 We are only part-way through the year of the CTS scheme changes introduced in 2017/18 and it is not possible to analyse the effects of the significant changes made with any certainty although debt levels have risen slightly and this will continue to be closely monitored. Continuation of the current scheme will provide a degree of certainty as claimants begin to move onto Universal Credit. A full review would be beneficial for the 2019/20 financial year.

## **5.0 EXPECTED BENEFITS**

5.1 Continuity for Council Tax Support claimants.

## **6.0 IMPLICATIONS**

### **6.1 Financial**

6.1.1 Council Tax Support scheme costs in 2017/18 are forecast to be approximately £4,052,244.

6.1.2 Working age claimant element costs approximately £1,449,000, with £159,000 (11%) borne by this Council.

6.1.3 Further financial information is contained in the report.

### **6.2 Stakeholders / Constitution / Timescales**

6.2.1 Legislation requires consultation to be carried out with major Precepting and the public where changes to the scheme are proposed. There are no changes proposed for 2018/19.

## **7.0 WARDS/COMMUNITIES AFFECTED**

7.1 All

## **8.0 ACRONYMS**

8.1 CTB – Council Tax Benefit

8.2 CTS – Council Tax Support

8.3 DWP – Department for Work and Pensions

8.4 UC – Universal Credit

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Background papers:-

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### **Lead Contact Officer**

Name and Post: Sharon Hammond Head of Service, Revenues and Benefits  
Telephone Number 01507 613306  
Email: Sharon.hammond@cpbs.com

**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Mandatory Service**