

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance

To: Cabinet - 20 November 2018
South Holland District Council – 28 November 2018

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

Subject Local Council Tax Support Scheme - 2019/20

Purpose: For each financial year a billing authority must consider whether to revise its Council Tax Support scheme, or replace it with another scheme. This report seeks Cabinet decision on the final proposals for the 2019/20 scheme, to be presented to Council for approval on 28th November 2018.

Recommendation(s):

That Cabinet approves, and recommends to Council: -

1. a) Continuation of the current Council Tax Support scheme for 2019/20, and uprating in line with DWP's annual update of allowances and premiums for housing benefit, and
b) The introduction of a new class for Care Leavers, aged 18-21 years.
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 scheme. 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. Some changes were introduced from 2017/18: -
 - The maximum level of support was reduced to 70%, meaning that working age households 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 At 30 June 2018 the forecasted amount of CTS discount for 2018/19 was £4,110,223. Caseload and expenditure will continue to fluctuate through the remainder of the financial year. The following table shows 2018/19 forecast expenditure and indicates the potential cost to South Holland District Council, and the other major Precepting authorities.

	2017/18 forecast
CTS Expenditure	£4,110,223
Cost to South Holland District Council (approx. 10.5%)	£431,573
Cost to Lincolnshire County Council (approx. 76.1%)	£3,127,880
Cost to Police and Crime Commissioner (approx. 13.4%)	£550,770

- 2.2 Whilst there was no significant effect on the 2017/18 in-year collection rate following changes made that year to the CTS scheme, it is too early to predict the final in-year collection rate for 2018/19 as there is more uncertainty with the implementation of Universal Credit and the effect and impact this might have on the collection and recovery of Council Tax. It is anticipated that collection and recovery will become increasingly challenging, and this will be monitored carefully.
- 2.3 There remains £176,582 outstanding in summonsed arrears in respect of the five previous year's council tax support cases. Whilst recovery and collection continues beyond the end of the year in question, the prospect of recovery reduces. Provision for bad debt has been made.
- 2.4 South Holland District Council's discretionary hardship policy provides a mechanism for persons affected by the 2017/18 scheme changes to apply for further financial support outside of the main CTS scheme.

3.0 ESTABLISHING A COUNCIL TAX SUPPORT SCHEME FOR 2019/20

- 3.1 It had been the intention to carry out a more fundamental review of the Council Tax Support scheme for 2019/20 taking into account the impacts of Universal Credit, however due to delays in the national roll-out programme there is presently insufficient information to inform such a review. Spalding Jobcentre has only been operating full Universal Credit service since 11th July 2018.
- 3.2 Whilst it is too early to understand the impact and effect of Universal Credit in South Holland, Housing Benefit caseload is anticipated to reduce during 2018/19, and there is likely to be a significant increase in the number of changes processed for Council Tax Support.
- 3.3 The inbuilt delay in claimants receiving their first Universal Credit payment might impact on the ability of households to manage their finances. Consequently it is felt that to make changes to the current CTS scheme in 2019/20 could add further pressure on these households.
- 3.4 South Holland District Council was one of the first Lincolnshire authority's to introduce a discount for Care Leavers in 2018/19. Presently this is administered under discretionary provisions, with the full cost borne by this Council. It was suggested at the time of introduction that consideration would be given to bringing this into the Council Tax Support scheme for 2019/20 onwards. In conjunction with Lincolnshire County Council and Barnardo's Leaving Care Service, potential applicants will be identified. As at July 2018, there have been no applications yet. Under the present discretionary arrangements, the full cost of any award would be met by South Holland DC. If this scheme were to move into the CTS scheme any cost would be shared by the major Precepting authorities, (with approximately 10.5% borne by South Holland).
- 3.5 The Local Government Finance Act requires that before a scheme can be adopted by the billing authority, it must: -
- (a) Consult any major precepting authority which has power to issue a precept to it,
 - (b) Publish a draft scheme in such manner as it thinks fit, and
 - (c) Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

4.0 CONSULTATION

- 4.1 On 11 September 2018 Cabinet approved consultation on continuation of the current Council Tax scheme, uprated in line with DWP's annual update of allowances and premiums for housing benefit, and the introduction of a new class for Care Leavers aged 18-21 years, providing up to 100% discount.
- 4.2 The consultation exercise ran between 14th September and 2nd November 2018.
- 4.3 Responses have been received from major preceptors. Lincolnshire County Council is supportive of the proposal for next year to replicate the current scheme, and for the proposal to give 100% discount to care leavers. The Police and Crime Commissioner for Lincolnshire confirms support for proposals which eliminates, or at least minimises, the consequent funding reductions.

4.4 The wider public consultation included publicity through local media, website and social media. Paper copies of the questionnaire were available at the Customer Contact reception. A total of 24 responses have been received. With such a low response rate it has to be recognised that the results cannot be relied upon as being wholly representative or statistically significant.

4.5 High level findings are summarised:

- The majority of respondents (58.33%) felt the council should retain the main characteristics of the current Council Tax Support scheme for 2019/20.
- 54.17% of respondents felt that the current scheme is fair and provides support to the most vulnerable.
- 58.33% agree with the proposal to introduce a new class providing up to 100% Council Tax Support for care leavers aged 18-21 years.

The opportunity through this consultation was also taken to seek views on whether there were other people who should be protected when considering future Council Tax Support scheme changes. 20.83% of respondents felt others should be protected compared to 41.67% that did not feel any other should be protected.

4.6 The consultation report is shown at Appendix A.

5.0 **OPTIONS**

5.1 Option 1 - recommended

Continuation of the current scheme into 2019/20, uprated in line with DWP's annual update of allowances and premiums for housing benefit, and the introduction of a new class for Care Leavers aged 18-21 years, providing up to 100% discount.

The results of the consultation exercise support this approach.

5.2 Option 2

Continuation of the current scheme into 2019/20, uprated in line with DWP's annual update of allowances and premiums for housing benefit, but not to introduce a new class for Care Leavers aged 18-21 years, providing up to 100% discount.

5.3 No alternative options are proposed. Any other changes to the scheme would require consultation.

6.0 **REASONS FOR RECOMMENDATION(S)**

6.1 The recommended option would provide continuity for customers at a time when they might be experiencing change through the introduction of Universal Credit, and it would also provide for a new class for Care Leavers into the main Council Tax Support scheme.

6.2 This approach will continue to see South Holland's scheme modelled on the previous national Council Tax Benefit scheme, keeping administration of working age applications broadly consistent with administration of Housing Benefit and pensioners Council Tax Support. However with the implementation of Universal Credit in 2018/19, there will begin a reduction in working age Housing Benefit claimants over the next few years, and in turn a reduction in government funding. It is therefore timely that whilst consulting on a proposal

for no change to the Council Tax Support scheme for 2019/20, that work begins on looking to develop a simplified scheme.

- 6.3 Exploratory work will begin in 2018/19 to consider various scheme options and approaches, with a view to recommendations coming to Cabinet early in 2019/20 followed by consultation and then final decision making to achieve implementation of a new, simplified scheme for introduction in 2020/21.

7.0 **EXPECTED BENEFITS**

- 7.1 Continuity for Council Tax Support claimants.

8.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

8.1 **Financial**

- 8.1.1 Council Tax Support scheme costs in 2018/19 are forecast to be approximately £4,110,223.
- 8.1.2 Working age claimant element costs approximately £1,443,525, with £152,000 (10.5%) borne by this Council.
- 8.1.3 Further financial information is contained in the report.

8.2 **Stakeholders / Constitution / Timescales**

- 8.2.1 Legislation requires consultation to be carried out with major Precepting authorities and the public where changes to the scheme are proposed.

9.0 **WARDS/COMMUNITIES AFFECTED**

- 9.1 All

10.0 **ACRONYMS**

- 10.1 CTB – Council Tax Benefit
10.2 CTS – Council Tax Support
10.3 DWP – Department for Work and Pensions
10.4 UC – Universal Credit

Background papers:-

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Consultation Report