

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Finance Manager

To: Council – 17 December 2014

(Author: Mark Finch - Finance Manager and Sharon Hammond - Head of Strategy, Revenues and Benefits)

Subject: Local Council Tax Support Scheme 2015/16

Purpose: The purpose of this report is to seek Council's decision in respect of its 2015/16 Council Tax Support scheme.

Recommendations:

- 1) That Council approve the continuation of the current Council Tax Support (CTS) scheme into 2015/16 with up-rating for working age claimants and compliance with the Prescribed Scheme Regulations
 - i) protection for pensioners in line with legislative provision
 - ii) Protection for war widow(ers)
 - iii) Limit the level of CTS award to 75% of entitlement for those who do not fall in i) or ii) above
- 2) That the delegation for developing the content of the final policy for the 2015/16 scheme to the Section 151 Officer in consultation with the Portfolio Holder, to ensure the policy reflects the latest information including prescribed scheme updates.

1.0 BACKGROUND

- 1.1 Local Council Tax Support (CTS) discount schemes replaced the previous national Council Tax Benefit (CTB) scheme from 1 April 2013.
- 1.2 South Holland District Council's first local scheme in 2013/14 was redesigned to meet specified criteria that qualified for a one year special government transitional grant. This grant was not however made available in the second year, 2014/15, and following consultation and decision making process, at the meeting of Full Council in January 2014 it was decided to retain the core characteristics of the 2013/14 scheme, but reduce the level of support to working age claimants.
- 1.3 The key characteristics of South Holland's current local Council tax Support scheme are:
 - **Protection for : -**
People over pension age (as prescribed by Government) All War Disablement Pensioners and War Widow(ers)
 - **People with children, disabilities or caring responsibilities will be supported**
Retain the core features and continue to apply the wide range of provision in the previous Council Tax Benefit (CTB) scheme that recognised the additional needs of the disabled, those with children and those with caring responsibilities.
 - **Incentives to work will be supported**
Retain provision within the previous Council Tax Benefit scheme, thereby maintaining the rate at which support is withdrawn as income increases.

- **People of working age receive less support with their Council Tax**

A reduction in the level of Council Tax Support awarded for all working age customers, except those protected, so that they may only receive 75% of the calculated entitlement amount (a 'baseline' reduction).

- 1.4 The Local Government Finance Act 2012 requires billing authorities to consider for each financial year whether to revise its scheme or to replace it with another scheme. South Holland District Council, as the billing authority, must therefore consider whether to revise its scheme or to replace it with another scheme for 2015/16 by 31 January 2015. Council Tax Support schemes cannot be changed mid-year.
- 1.5 Where any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the authority must include such transitional provision relating to that reduction or removal as it feels fit.

2.0 FUNDING THE COUNCIL TAX SUPPORT SCHEME

- 2.1 Major precepting authorities share the financial risks associated with local CTS. The local government financial settlement for 2013/14 included a specific grant for funding the Council Tax Support scheme. The grant was paid to billing and major precepting authorities in proportion of their share of council tax. From 2014/15 the Government grant has been subsumed within the Revenue Support Grant (RSG), and is no longer separately identifiable.
- 2.2 The 2015/16 financial settlement for local authorities is expected to be announced in December 2014. In the broader financial context SHDC needs to factor the estimated cost for its chosen scheme in line with other decisions it is taking for the 2015/16 budget.
- 2.3 At the end of October 2014 the amount of CTS discount awarded in 2014/15 was £4,618,271, broadly in line with estimates made December 2013. Caseload and expenditure will continue to fluctuate through the remainder of the year.

Table 1: October 2014 profile of Council Tax Support caseload and expenditure.

	Number	Percentage	Amount of CTS
Elderly	3,844	56.49%	£2,916,825.32
Working Age	2,961	43.51%	£1,701,445.96
Total	6,805	100%	£4,618,271.28

- 2.4 The Local Government Finance Act 2012 and subsequent regulations granted billing authorities greater discretion over discounts and exemptions for certain categories of empty dwelling from April 2013. Changes were decided by Council in January 2013, to apply from April 2013, to increase the council tax base and potential revenue to help fill the funding gap arising from the cut to grant in respect of CTS. There are no proposed changes for 2015/16 to the level of these discounts.

3.0 ESTABLISHING THE COUNCIL TAX SUPPORT SCHEME FOR 2015/16

- 3.1 In terms of the current 2014/15 scheme performance, collection rates are holding well at the end of quarter 2.

Table 2: Quarter collection performance, 2013/14 and 2014/15

	Quarter 1			Quarter 2		
	Collectable Debit	Net Amount Collected	Collection Rate	Collectable Debit	Net Amount Collected	Collection Rate
2013/14	£36.6m	£11.0m	30.22%	£36.6m	£21.5m	58.56%
2014/15	£37.6m	£11.4m	30.43%	£37.8m	£22.1m	58.45%

- 3.2 Continuation of the current scheme, as set out in 1.3 above, would provide consistency in scheme rules and approach for claimants from 2014/15 into 2015/16. In addition, uprating of the amounts used in the calculation of Council Tax Support for working age claimants, in line with Department for Work and Pension will ensure fairness between the pensioner and working age groups.
- 3.3 The 2012 Act sets out consultation requirements for making a scheme; the authority must (in the following order): -
- (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.
- 3.4 Consultation on the current scheme took place between October and 29 November 2013.
- 3.5 It is proposed that major preceptors Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire are advised of the 2015/16 scheme.
- 4.0 **OPTIONS**
- 4.1 Option 1 – Retain the core characteristics of the current scheme, updated to ensure compliance with prescribed requirements,
- Protection for pension age and for all war disablement pensioners and war widow(ers).
 - Recognise the additional needs of the disabled, those with children and caring responsibilities
 - Retain the rate at which support is withdrawn as income increases, ensuring incentives to work continue to be supported.
 - Reduction in the level of Council Tax Support for working age customers, except those protected, so that they receive 75% of calculated entitlement (a ‘baseline’ reduction)
- and** uprating to be applied to the amounts used in the calculation of Council Tax Support for working age claimants.

- Up-rating is applied to the amounts used in the calculation of CTS to assess the 'needs' of the claimant. For example this includes the amount of premiums for disabled, carers etc.

The table below indicates the estimated CTS expenditure in 2015/16 at a 2% and 0.5% Council Tax Increase, based on the current scheme. This makes 1% provision for up-rating, and 5.43% provision for movement on/off CTS during the year.

Scheme Detail	Estimated 2015/16 CTS Expenditure	Estimated Cost to SHDC (11%)
Continuation of 25% baseline reduction for working age claimants. Includes: - <ul style="list-style-type: none"> • 2% provision for CT increase 	£4,760,773	£523,685
Continuation of 25% baseline reduction for working age claimants. Includes: - <ul style="list-style-type: none"> • 0.5% provision for CT increase 	£4,690,762	£515,984

4.2 Option 2 - Retain the current scheme, but not uprate the amounts used in the calculation for working age claimants. This would take forward the current amounts used in the calculation as for 2014/15. Up-rating for elderly claimants will in any event be prescribed by government.

5.0 REASONS FOR RECOMMENDATIONS

5.1 Continuation of the current scheme, as outlined in Option 1, would provide continuity for a second year, allowing the opportunity for this scheme to stabilise. Up-rating will ensure consistency, and fairness, between the different age customer groups.

5.2 It is likely that a more fundamental review of the scheme will be required for 2016/17 to check assumptions, and to recognise the changes associated with the introduction of Universal Credit.

5.3 2015/16 schemes must be made by 31st January 2015 to meet legislative requirements.

6.0 EXPECTED BENEFITS

6.1 The 2015/16 scheme decision is in line with the legislative timeframe for implementation 1 April 2015.

7.0 IMPLICATIONS

7.1 Carbon Footprint / Environmental Issues

7.1.2 It is the opinion of the Report Author that there are no implications.

7.2 Constitution & Legal

7.2.1 The Local Government Finance Act 1992 Schedule 1A, section 5 (1) inserted by Local Government Finance Act 2012 sets out the requirement for each financial year for the billing authority to consider whether to revise its scheme or replace it with another scheme.

7.2.2 It is a statutory requirement to set out the local CTS scheme in a policy document which details the 'rules' for the scheme. It is recommended that Council delegates the development of the final scheme rules to the Section 151 Officer in consultation with the Portfolio Holder.

7.3 **Contracts**

7.3.1 It is the opinion of the Report Author that there are no implications.

7.4 **Corporate Priorities**

7.4.1 It is the opinion of the Report Author that there are no implications.

7.5 **Crime and Disorder**

7.5.1 It is the opinion of the Report Author that there are no implications.

7.6 **Equality and Diversity / Human Rights**

7.6.1 An equality impact assessment for the current CTS scheme (under Section 149 of the Equality Act 2010) was undertaken for the 2014/15 scheme.

7.7 **Financial**

7.7.1 The funding gap for 2015/16 will not be identifiable as it was for 2013/14 due to the CTS grant being subsumed into the RSG.

7.7.2 Provision for bad debt is made as part of the tax base setting to reflect the risk with regard the level of Council tax liability becoming due as a result of the reduction in CTS.

7.7 **Health & Wellbeing**

7.8.1 It is the opinion of the Report Author that there are no implications.

7.9 **Risk Management**

7.9.1 There are a number of financial risks associated with the CTS scheme, and being only part way through the year of the current scheme it is too early to be certain of the effects. Once the Council has set its policy for 2015/16 it cannot be changed until the following financial year.

7.10 **Staffing**

7.10.1 It is the opinion of the Report Author that there are no implications.

7.11 **Stakeholders / Consultation / Timescales**

7.11.1 Consultation on the current scheme was undertaken for 2014/15.

8.0 **WARDS/COMMUNITIES AFFECTED**

8.1 All

9.0 **ACRONYMS**

9.1 CTS - Council Tax Support
CTB – Council Tax Benefit
RSG – Revenues Support Grant

Background papers:- Local Government Finance Act 2012

Lead Contact Officer

Name and Post: Mark Finch, Finance Manager
Telephone Number: 01775 761161
Email: mark.finch@breckland-sholland.gov.uk

Director / Officer who will be attending the Meeting

Name and Post: Mark Finch, Finance Manager

Key Decision: No

Exempt Decision: No

This report refers to a Discretionary Service