

South Lakeland District Council
Council

Tuesday, 26 February 2019

**REVIEW OF THE LOCAL COUNCIL TAX REDUCTION
SCHEME**

Portfolio: Councillor Andrew Jarvis - Finance Portfolio Holder
Report from: Assistant Director Resources (Section 151 Officer)
Report Author: Michael Fisher – Revenues and Benefits Services Manager
Wards: (All Wards);
Forward Plan: Key Decision included in the Forward Plan as published on 8th January 2019

1.0 Expected Outcome

- 1.1 On 1st April 2013 the national Council Tax Benefit Scheme was abolished and replaced with a locally determined scheme known as the Local Council Tax Reduction Scheme. This Council introduced a scheme that mirrored the previous national scheme which meant that nobody was worse off under the Local Scheme and the most vulnerable people in our district were protected from any reductions in support.
- 1.2 After considering options for change including the additional income, costs and risks associated with any changes it is expected that the current scheme will continue unchanged for the financial year 2019/2020. This is with the exception of applying the annual upratings aligned to other means tested benefit schemes as detailed in the recommendations in this report and reflect the issues included in Section 3.6.
- 1.3 The retention of the existing scheme offering support up to a maximum of 100% of the Council Tax plays a key role in supporting the Council's objective of helping to alleviate poverty.

2.0 Recommendation

2.1 It is recommended by Cabinet:-

- (1) that the current Local Council Tax Reduction Scheme is the most appropriate scheme for this Council for the financial year commencing 1st April 2019 subject to the Assistant Director (Resources) and Section 151 Officer in consultation with the Finance Portfolio Holder being authorised to :**

- (a) make all necessary updates to this Council's Council Tax Reduction Scheme to comply with any statutory requirements that may be issued by central government.**
- (b) make all necessary amendments to the Council's Council Tax Reduction Scheme to uprate the allowances and premiums in accordance with Revised HB Circular issued in December 2018 by the Department of Work and Pensions.**

(c) publish the updated scheme in accordance with the Local Government Finance Act 2012.

3.0 Background and Proposals

- 3.1 The Local Government Finance Act 2012 (as amended) now requires Local Authorities to approve their Council Tax Reduction Scheme on an Annual Basis by the 11th March for the following financial year (was previously 31st January). The Council's current scheme can be found by accessing the link under background documents below.
- 3.2 On the 18th December 2012 (Minute C/70) Full Council resolved to adopt the Default Scheme as prescribed by the Secretary of State as the Council's Local Council Tax Reduction Scheme to replace Council Tax Benefit from 1st April 2013 and the costs of the scheme to be funded by reducing Council Tax discount on second homes from 10% to 0%. The local arrangements for fully disregarding War widow's pensions, war disablement pensions and Armed Forces Compensation payments were to remain in the calculation of income for the scheme.
- 3.3 Central Government had previously paid 100% grant to Local authorities under the national scheme but on the transfer of responsibility the grant was reduced to 90%. This Council, with the support of Cumbria County Council and the Cumbria Police Authority met the cost of the 10% grant reduction, about £560,000 by making technical changes to Council Tax. This included removing the discount on second homes, introducing a 100% Council Tax on properties unoccupied over 6 months and a 50% premium on properties empty for over 2 years.
- 3.4 On the 17th December 2013 (Minute C/65) Full Council resolved that the Local Council Tax Reduction Scheme for 2014/2015 would remain unchanged subject to the annual uprating of applicable amounts, premiums etc. in accordance with either the Housing Benefit Scheme Regulations or the Local Council Tax Reduction Prescribed Scheme for pensioners.
- 3.5 Minute C/65 of Full Council on the 17th December 2013 resolved that the next review of the scheme be undertaken in July 2014. A review was undertaken on the 15th July 2014 by Overview and Scrutiny Committee who recommended that the existing scheme which mirrors the previous Council Tax Benefit Scheme is the most appropriate for this Council. Overview and Scrutiny Committee examined some of the changes made by other local authorities and assessed the impact of those changes both on applicants and on Council Tax collection levels.
- 3.6 On the 19th December 2017 (Minute C/64) Full Council resolved to maintain the existing scheme for 2018/19 after undertaking a comprehensive review of the scheme during 2014/15.
- 3.7 The Council's scheme will still not reflect the changes announced in the Budgets of July 2015 or March 2016 which would adversely affected some of our residents entitlements to support.

Namely:-

- Removal of Family Premium for new claims
- Reduction of backdating period from 6 months to 1 month
- Freezing of Applicable amounts within Housing Benefit until 2020/21
- Withdrawal of Council Tax Reduction where a person leaves the Great Britain for 4 weeks or more
- Limiting the number of dependants additions to a maximum of 2 (This will apply to all Housing Benefit cases with effect from 1st April 2017)

- Removal of the Employment & Support Allowance Work Related Activity Component
- Phasing in of European migrants access to benefits

As it stands the implications and the impact of these changes continue to be limited in regard the overall cost of the Council's scheme, however they will be monitored going forward. Implementation of these national welfare proposals would result in a requirement to undertake a full consultation process as they would be classed as significant changes to the Council's existing scheme. This will be considered again as part of the review process for the 2020/21 scheme.

- 3.8 In the current financial year 2018/2019 awards under the Local Council Tax Reduction Scheme currently total £4,979,481 (£4,941,253 in 2018/19). Although only part way through the current year the current level of Council Tax Reduction remains broadly similar despite the significant increases in council tax in April 2018. Providing the economic circumstances remain broadly similar there is no reason not to expect the level of support to increase greatly, however further council tax increases will increase the upward pressure of the scheme. The shortfall in government grant at the introduction of Council Tax Support has been met by a reduction of over 10% in expenditure since the grant level was frozen at 90% of 2012/13 Council Tax Benefit expenditure (£5.7M).
- 3.9 The table below gives a breakdown of the caseload and awards in respect of each group at the end of December 2018 (March 2014 figures in brackets).

Group	Number of Claimants	Amount of Reduction awarded
Pension Age	2,392 (3,146)	£2,600,557 (£3,071,000)
Working Age	2,342 (2,684)	£2,370,924 (£2,293,000)
TOTAL	4,734 (5,830)	£4,979,481 (5,364,000)

Should any changes be considered to the Local Council Tax Reduction Scheme these could only apply to Working Age applicants. Only 49% of applicants fall into this category. This would also trigger the legal requirement to undertake a formal consultation process to amend the council's scheme.

- 3.10 The current scheme in its present state continues to provide those residents in South Lakeland on the lowest income the maximum amount of support with their council tax liabilities. In common with all other Cumbrian LA's maintaining our current scheme for April 2019 keeps South Lakelands position as one of only 37 councils (April 2017) offering a fully funded council tax reduction scheme for working age claimants.

4.0 Consultation

- 4.1 Overview and Scrutiny Committee reviewed the current scheme at a meeting on 15th July 2014 and this formed part of the consultation process. A representative from the Cumbria Rural Citizens advice Bureau addressed the meeting. The Committee resolved (O & S /9) that:
- (1) it is recommended to Cabinet that the current Local Council Tax Reduction Scheme is the most appropriate scheme for this Council for the financial year commencing 1st April 2015.
- 4.2 There has been no change in circumstances and therefore it is suggested that there is no reason for Overview and Scrutiny Committee to re-consider the matter in relation to the scheme commencing on the 1st April 2019.

- 4.3 Cumbria County Council and the Police and Crime Commissioner have been consulted on the proposal to retain our existing scheme. The council has not received a response to the consultation letter issued on 22nd October 2018 from Cumbria County Council. The Police and Crime Commissioner has responded positively to the proposals contained in the consultation letter. This consultation letter stated that no major changes have been examined with regard to the Council's existing scheme apart from a brief exploration of the likely income which could be generated if a minimum charge was introduced. Any major changes would mean a full consultation exercise would have to be undertaken.
- 4.4 Should any significant changes be made to the current scheme then a public consultation exercise would have to be undertaken

5.0 Alternative Options

- 5.1 The Council is under no legal obligation to offer a Council Tax Reduction Scheme for Working Age residents. Therefore in theory it could reduce the amount of support offered this group from 100% to any figure it chose including having a full charge irrespective of income. The vast majority of councils reduce the amount of Council Tax Reduction for Working Age claimants between 8.5% and 25% resulting in annual charges between £ 100 and £ 300 per annum for those on the lowest income in this group. All Cumbrian Local Authorities continue have a zero charge for this group.
- 5.2 There are numerous ways in which the current Local Council Tax Reduction Scheme could be changed: These were fully examined as part of the Overview and Scrutiny review and were considered as part of the decision making process in approving the scheme for 2015/16. No further examination has taken place since this review apart from a brief indication of the likely income that could be generated if a minimum charge was to be introduced for Working Age Recipients of Council Tax Reduction. This was included within the consultation letters issued to the major preceptors in September 2018.
- 5.3 It is likely that a review of South Lakelands Council Tax Reduction Scheme will be undertaken in 2019, to assess the impacts on the scheme of the full rollout of Universal Credit in South Lakeland. It is likely this review will be undertaken as part of a wider Cumbria review.

6.0 Links to Council Priorities

- 6.1 "Our Vision" – Several Welfare Reform changes have already been implemented, including the abolition of the Council Tax Benefit Scheme and introduction of its replacement, the Local Council Tax Reduction Scheme. The Council has provided a large amount of information about the ways the changes will affect individuals and worked closely with our social landlords to try as far as possible to reduce the impact on vulnerable people. We will continue to monitor the impact of these changes.

7.0 Implications

7.1 Financial, Resources and Procurement

- 7.1.1 The Council's Medium Term Financial Plan assumes that the current scheme will continue with no savings planned to be met from scheme changes.
- 7.1.2 It is important to note that any additional income raised through reducing the amount of benefit awarded results in an increase in the Council Tax Base. However this Council would only benefit from around 11% of any additional income generated, net of irrecoverable debts, but would need to meet the full costs of any additional staffing

resources and the costs of publicising changes and providing what could amount to a debt counselling service.

- 7.1.3 There would no significant financial advantage to this Council of making changes to the scheme.
- 7.1.4 In theory the County Council and Police and Crime Commissioner should benefit financially from a change which reduced the amount of awards however this change may have wider reaching implication in terms of service demands on these authorities, such as social services or police services.
- 7.1.5 The Council's Local Council Tax Reduction Scheme replicated the previous scheme and ensured the most vulnerable people in the District were protected. This has proved a major factor in the council maintaining its high level of collection.

Making the scheme less generous would be likely to result in more debts being written off and with these factors in mind the collection level of 99.0% currently used in the Council Tax Base calculation for this Council would need to be reviewed and reduced.

- 7.1.6 Local Authorities are expected to have an additional policy for providing additional financial assistance in cases of hardship and this policy should be properly managed with working guidelines and an appeals process built into it. This policy places a limited financial burden on the authority as the cost of any reduction would be offset against the collection fund.
- 7.1.7 The National Audit Office review of the DCLG's approach to Localising Support for Council Tax makes suggestions as to how local authorities can meet the costs of the 10% reduction in grant for Council Tax Reductions:
 - Make wider use of flexibilities within the Council Tax system (changing discounts).
 - Reduce entitlement to Council Tax Reductions (discussed in this report)
 - Making efficiency savings
 - Absorb within budgets
 - Utilise reserves
 - Manage fraud and error

- 7.1.8 The reduction in caseload and resultant expenditure of the current scheme has now fallen below the original grant figure including the 10% reduction

- 7.1.9 The Default Scheme is no longer supported by Central Government therefore the Council must document the Local Scheme and have it available to the public. This is particularly important for documenting the annual uprating's and a consultant has been employed to maintain the scheme at minimal cost. The full draft scheme proposed for the financial year 2019/2020 including the recommended uprating's in this report will be available on the Council's website once information has been received from Central Government.

7.2 Human Resources

- 7.2.1 If the recommendation not to amend the current scheme is accepted then there will be no Human Resources implications.
- 7.2.2 If the current scheme is amended and the Council is required to collect what in some cases could be relatively small amounts this could impact on Council Tax collection work and additional resources may need to be employed to maintain current collection levels. It is likely that resources would need to be employed to offer advice on debt, deal with complaints and ensure adequate publicity and contact points are available as many recipients may not have recently paid Council Tax.

7.3 Legal

- 7.3.1 The Local Government Finance Act 2012 substitutes Section 13A of the Local Government Finance Act 1992 and makes provision for Local Council Tax Reduction Schemes. Schedule 1A (4) requires the Secretary of State to prescribe a Default Scheme. This is the Council's current scheme subject to the annual uprating changes from 1st April 2014 agreed by Full Council on 17th December 2013 and disregarded income from war disablement and war widows pensions and Armed Forces Compensation Payment Schemes.
- 7.3.2 If any changes are made to the current scheme it is important that these are effectively drafted and a specialist consultant has been appointed to assist the Council. Such changes could be subject to legal challenge.
- 7.3.3 Under Section 9 of the Local Government Finance Act 2012, the Secretary of State shall make provision for an independent review of all council tax reduction schemes made under the provisions of the Act;
- a) to consider their effectiveness, efficiency, fairness and transparency and their impact on the Localism agenda, and
 - b) to make recommendations as to whether such schemes be brought within Universal Credit.

This review called "Three Years On" was conducted by Eric Ollerenshaw was published in March 2016. The review only had three recommendations for councils. One for councils to consider joint schemes and procurement, the other two recommendations related to councils who had decided not to maintain a scheme offering up to 100% for working age claimants.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

7.4 Health, Social, Economic and Environmental

- 7.4.1 At this point a social, economic and environmental impact assessment has not been carried out. Should any changes to the current scheme be recommended to Full Council then a revised assessment will be undertaken.

7.5 Equality and Diversity

- 7.5.1 An equality and diversity assessment was undertaken for the current scheme but if any changes are recommended then that assessment will be reviewed.
- 7.5.2 If changes are made to the scheme it will be necessary to assess changes to evaluate the impact on people who are vulnerable. The DCLG have defined vulnerable households as those with a carer, children aged less than 5 years or those with a disability. Protections would need to be considered and a scheme with multiple protected groups also results in a scheme that is more complex to administer and for customers to understand.
- 7.5.3 The DCLG issued a report in February 2014 reminding local authorities of their key duties when deciding on Local Council Tax Reduction Schemes:
- Public Sector Equality Duty (The Equality Act 2010)
 - Duty to mitigate the effects of child poverty (The Child Poverty Act 2010)
 - The Armed Forces Covenant
 - Duty to prevent Homelessness (The Housing Act 1996)

Risk

Risk	Consequence	Controls required
Any changes to the current scheme are not correctly embedded in the scheme rules.	The Council's Local Council Tax Reduction Scheme will not stand up to legal challenges and the scheme will fall into disrepute and legal costs would be incurred.	Seek appropriate advice to draft any changes effectively into the scheme.
Difficulty in accurately predicting the net reductions in awards of the differing options.	Any scheme changes may result in awards differing from those estimated which will impact on the County Council, the Police and Crime Commissioner and this Council.	The forecasting tool within current software should produce accurate figures.
Reductions in awards may cause hardship to some applicants.	Insufficient finances could put some family members at risk.	It would be advisable to create a properly managed hardship fund to protect vulnerable people who can apply for monies from this fund in exceptional circumstances.
Collection of small amounts may not be possible in some cases.	An increase in the amount of debts being written off which may negate the changes made.	Be prepared to employ additional resources to collect the Council Tax due.

Contact Officers

Report Author – Michael Fisher, Revenues & Benefits Services Manager

Tel 01539 793257. e-mail: michael.fisher@southlakeland.gov.uk

Background Documents Available

Name of Background document	Where it is available
South Lakeland District Councils Council Tax Reduction Scheme	https://www.southlakeland.gov.uk/media/3269/south-lakeland-s13a-201718-scheme-v11.pdf

Tracking Information

Signed off by	Date sent
Legal Services	14 Jan 2019
Section 151 Officer	14 Jan 2019
Monitoring Officer	14 Jan 2019
SMT	14 Jan 2019

Circulated to	Date sent
Assistant Director	n\a
Human Resources Manager	n\a
Communications Team	n\a
Leader	n\a
Committee Chairman	n\a
Portfolio Holder	14 Jan 2019
Ward Councillor(s)	n\a
Committee	n\a
Executive (Cabinet)	n\a
Council	n\a