

**REPORT OF: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER**

TO: EXECUTIVE

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REVIEW OF LOCAL SCHEME OF COUNCIL TAX SUPPORT

PURPOSE OF REPORT

1. The purpose of this report is to inform the Executive of the need to review the Council's local scheme of council tax support and outline the process and timescales by which the scheme will be reviewed.

RECOMMENDATIONS

2. It is recommended that the Executive:
 - (a) authorise a review of the current local scheme of council tax support;
 - (b) agree that the review considers issues of scheme affordability as well as technical changes required to align the scheme with changes to the Housing Benefit framework;
 - (c) note the suggested activity and outline timetable for the remainder of the review.

REASONS FOR RECOMMENDATION

3. To seek approval to commence a formal review of the Council's local scheme of council tax support having regard to issues of affordability and alignment with changes to the Housing Benefits framework.

ISSUE

Background

4. The Council implemented a local scheme of council tax support in April 2013 in response to national changes instigated by the Government as part of its programme of welfare reforms. The local scheme replaced the former national system of Council Tax Benefit and introduced Council Tax Support which operates as a discount applied to the recipient's council tax bill.

5. Under the scheme requirements, set nationally, pensioner age claimants were protected and continued to receive support which ensured they were no worse off under the new scheme; working age claimants were subject to a local scheme with billing authorities such as Pendle responsible for devising their own scheme of assistance.
6. The Council formally approved its local scheme in December 2012 and this was implemented on 1st April 2013. A copy of the report to Council in December 2012 is available on-line at <http://www.pendle.gov.uk/meetings/meeting/1449/council> (item 12 refers).
7. The current arrangements require Councils to approve their local schemes of support annually by 31st January for the following financial year. The Council's current scheme for 2016/17 was approved at Council in December 2015.
8. After the 2016/17 scheme was developed a number of changes were made to the Housing Benefit framework for working-age claimants from April 2016. Hence, currently, the two schemes of support are not aligned and it is considered desirable that they are. However, to align both forms of assistance requires the Council to update its scheme of council tax support for the following in respect of working age claimants:
 - *Removal of the Family Premium from Council Tax Support* - the family premium (£17.45 per week) was an allowance of earned income before housing benefit starts to be withdrawn for working families with children – this was removed for new housing benefit claims from 1st May 2016;
 - *Reduction of backdate period to 1 month* – the length of time that a housing benefit claim can be backdated has been reduced from 6 months to 4 weeks;
 - *Withdrawal of Council Tax support* - where a person leaves Great Britain for 4 weeks or more;
 - *Abolition of Severe Disability Premium* – links to the abolition of the SDP within the carer's element of Universal Credit.
9. In addition there are some changes to the Benefits framework which, subject to change or approval, are due to take effect from April 2017. As a result it will be necessary to take account of these in considering the Council's proposed scheme of council tax support for 2017/18. If not, the scheme would immediately be out of alignment again with the housing benefit framework. The scheme design will need to be flexible so as to respond to any policy decisions should the Government's position change on any of the proposals. The relevant changes expected to impact in 2017/18 are:
 - *Limiting the number of dependant's additions to a maximum of two* - for all cases where dependants are born on or after 1st April 2017. This will apply to all Housing Benefit cases and to council tax support;
 - *Removal of the Employment and Support Allowance work related activity component* - new claimants of Employment and Support Allowance who are placed in the Work-Related Activity Group will receive the same rate of benefit as those claiming Jobseeker's Allowance because the Work Related Activity component is being abolished.
10. Before the Council can reflect any of the changes outlined above in a revised scheme it must first undertake consultation. Such consultation is required to follow that which an authority undertook when first devising its scheme of support. This requires the Council to:
 - Consult any major precepting authority which has power to issue a precept (i.e. the County Council, Fire Authority and the Police & Crime Commissioner);
 - Publish a draft scheme in such manner as it thinks fit; and
 - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

Current claimant numbers and cost

11. As at mid-April 2016 the position on Council Tax Support with regard to caseload and associated costs was as follows:

Category	Caseload	Avg. weekly entitlement £	Annual Cost £'000
Working Age	5,083	13.52	3,573
Pension Age	3,591	17.23	3,217
Total	8,674	15.05	6,790

Working-age claimants currently have their entitlement reduced by an amount of 20% being the 'standard deduction' under the Council's approved scheme.

12. The 'affordability' of council tax support has not been reviewed since the new scheme was introduced in 2013/14. Initially, the Council received grant funding from Central Government to compensate it for its share of council tax income foregone when the scheme was introduced. In the period up to the 2016/17 finance settlement this funding has gradually been subsumed within the overall funding settlement for the Council and the link between council tax support costs and government funding is no longer explicit.
13. Given the passage of time since the local scheme of support was introduced and the reductions in core government funding it is considered timely to review the costs of the current scheme in addition to the technical changes outlined in paragraphs 8 and 9 above. The costs of the current scheme needs to be considered in the context of the Council's projected medium-term financial position which is reported separately elsewhere on this agenda.

Next Steps and Outline Timetable

14. Subject to Councillors consideration of this report, the activity and suggested timetable leading up to the approval of any revised local scheme of support is outlined below:

End Date	Activity
30 th June	Report to Executive – draft scheme for consultation
22 nd July	Consultation with major preceptors
21 st October	Consultation with other interested parties
4 th November	Review of scheme options post consultation
17 th November	Report to Executive – outcome of consultation / proposed scheme to Council
15 th December	Report to Council - approval of proposed scheme for 2017/18

15. Subject to agreement on the above, the intention is for consultation to be undertaken in conjunction with a number of other Lancashire councils who we expect to be reviewing their schemes as a result of the technical changes outlined above. Amongst other things this will provide us with an opportunity to collaborate on the use of standard templates and procure external support for this work ensuring we comply with all legal requirements.

IMPLICATIONS

Policy

16. The adoption of any revised localised scheme of Council Tax Support will determine the Council's policy for providing financial support to those residents who need help to pay their Council Tax. As indicated elsewhere in this report, the Council needs to adopt a Scheme annually on or before 31st January.

Financial

17. The financial implications are generally as outlined in this report. It is expected that the Council will engage Infusion to support the consultation process, the costs of which will be met from the Council's annual subscription to this service. There are other costs associated with external consultancy support, notably re the design of consultation templates on the technical changes. This cost is estimated at £300 and will be met from existing budgets.

Legal

18. The statutory provisions for the introduction of the localised Council Tax Support Scheme are contained in the Local Government Finance Act 2012. As indicated in the report, the Council is required to approve its local scheme of support by 31st January annually.

Risk Management

19. There are mainly compliance and financial risks associated with the operation of a local scheme of council tax support. The scheme must have regard to regulations and other statutory provisions. These extend to consultation which must be meaningful and allow an appropriate period of time. Financial risks stem from the potential volatility regarding caseload and associated costs. The former risks are managed in conjunction with Liberata who administer the Council's scheme and include the use of external consultancy support to advise on technical matters. Financial risks are managed through the Council's existing budget framework and arrangements for regular monitoring.

Health and Safety

20. There are no Health and Safety implications arising directly from the contents of this report.

Climate Change

21. There are no climate change or sustainability implications arising directly from this report.

Community Safety

22. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

23. An equality impact assessment will be undertaken on any proposed changes to the current local scheme of Council Tax Support.

APPENDICES

None.

LIST OF BACKGROUND PAPERS

None.