Agenda Item 6

Leicestershire County Council

CABINET – 10 OCTOBER 2017

LOCALISATION OF COUNCIL TAX SUPPORT - COUNTY COUNCIL CONTRIBUTIONS

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to seek the Cabinet's approval to cease all contributions made by the County Council to Leicestershire billing authorities (i.e. the seven district councils) to support the administration of the Localisation of Council Tax Support schemes (LCTS) and to the Discretionary Discount Funds administered by the billing authorities, both introduced in 2013.

Recommendation

2. It is recommended that:

   (a) The County Council cease all contributions it makes to billing authorities towards the administration costs of operating the Localisation of Council Tax Support schemes as from 1 April 2018 and to the Discretionary Discount Funds from 1 April 2019;

   (b) £100,000 be set aside from the forecast 2017/18 Medium Term Financial Strategy monitoring underspend to fund the contribution to the Discretionary Discount Funds in 2018/19 until this is ceased in accordance with (a) above.

Reasons for Recommendation

3. Due to the financial pressures facing the County Council, the MTFS included a saving from a review of the contributions it makes to the 7 Leicestershire billing authorities in respect of LCTS scheme administration costs and to the Discretionary Discount Funds (DDF). The proposals set out in this report are aimed at achieving this saving but on a timescale that will enable billing authorities to manage the proposed reduction in funding, particularly in respect of the DDF.

Timetable for Decision (including Scrutiny)

4. Subject to approval by the Cabinet, the County Council's contributions to the billing authorities for LCTS scheme administration costs will cease from 1 April 2018 and to the DDF from 1 April 2019. A decision is needed by the end of October to provide

sufficient time for billing authorities to assess how they would manage the reduction in funding.

Policy Framework and Previous Decisions

5. The MTFS was approved by the County Council in February 2017 and this includes Saving CI2 - Review of contributions to the Discretionary Discount Funds and LCTS administration costs.

6. The LCTS scheme was established in 2013 and the County Council agreed its contributions towards the administration costs of this scheme and to the DDF in its 2013 MTFS to begin in the 2013/14 financial year.

7. The Cabinet on 23 June 2017 considered a report on District Council Collection of Council Tax performance. The Leader of the Council has written to all District Council leaders to propose and fund a review of their collection and forecasting processes with the aim of improving these for all authorities.

Resource Implications

8. The original County Council contributions totalled £375,000 in 2013/14 (£125,000 administration costs and £250,000 DDF). However, due to the low take up of the DDF the County Council reduced its budgeted contribution to these Funds to £100,000 in its 2016 MTFS. The Council's current contributions therefore total £225,000 p.a.

9. The current MTFS (2017) includes saving CI2 - Review of contributions to Discretionary Discount Funds and LCTS administration of £100,000 in 2017/18 rising to £225,000 from 2018/19.

10. The proposals in this report will achieve this saving in the long term, but not in 2017/18 as originally intended and a contribution of £100,000 will be required in 2018/19 to continue to support the DDF for that year. It is proposed that £100,000 is set aside from the overall 2017/18 MTFS forecast underspend to fund these costs into 2018/19. At period 5, the forecast underspend was £1.1m.

11. The Director of Law and Governance has been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

None.

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PART B

Background

12. In 2012, the Government announced that it would localise support for Council Tax from 2013/14. The changes included the Government abolishing council tax benefit from 1 April 2013 and instead allocating grant funding, equivalent to Council Tax benefit paid less 10%, to local government. In Leicestershire the seven districts, Leicester City Council, Rutland County Council and the major preceptors (Leicestershire County Council, the Office of the Police and Crime Commissioner and Leicestershire Fire and Rescue Service) worked together to achieve a consistent approach and developed the LCTS schemes to offset the reduction in government funding.

13. The Leicestershire billing authorities operate the LCTS schemes with a cap on the maximum of council tax that recipients will pay. The caps vary between billing authorities and range between 12% and 15%. The schemes are administered by the billing authorities as the statutory bodies responsible for the administration and collection of council tax.

14. The core elements of the schemes ensure that everyone apart from pensioners (protected by government) pay something towards their council tax bill, introduced a DDF to support the most vulnerable, provided administration contributions to cover the costs of collecting debts and joint working to maximise efficiencies and streamline processes where possible.

15. The agreements for contributions towards the administration costs of operating the schemes and to the DDF are contained within a report 'Leicestershire Local Council Tax Support Schemes – Summary Arrangements'. The agreement includes provision for it to be reviewed annually by 31st January each year [preceding the year affected] and for any major changes to be subject to consultation in accordance with best practice.

Council Tax Administration

16. To support administration of the changes the following contributions were agreed:

Administration Costs	BLA	CHA	HAR	HIN	MEL	NWL	OAD	Total
Billing Authority	£3,051	£4,673	£3,051	£2,363	£2,276	£4,896	£2,280	£22,590
County Council	£15,942	£28,448	£15,942	£16,509	£11,965	£23,651	£11,964	£124,421
Leicestershire Police	£2,607	£4,653	£2,607	£2,699	£1,957	£3,867	£1,957	£20,347
Leicestershire Fire	£800	£1,427	£800	£829	£601	£1,186	£600	£6,243
Total Gross Costs	£22,400	£39,201	£22,400	£22,400	£16,799	£33,600	£16,801	£173,601

17. In addition to the above, the billing authorities also receive an annual grant from the Department for Communities and Local Government (DCLG) to support the administration of the LCTS scheme and in 2017/18 this was £560,000.

Discretionary Discount Fund

18. The DDF was established to support people experiencing severe financial hardship and who are struggling to meet their Council Tax obligations. The discount is for Council Tax only and is a one off or temporary payment. Residents must apply to access the Fund and each application is considered on its own merits.

19. The original contributions towards the DDF were calculated as follows:

Discretionary Fund	BLA	CHA	HAR	HIN	MEL	NWL	OAD	Total
CTB paid out in 2011/12	£4,630,678	£9,297,088	£3,519,268	£5,831,863	£2,544,301	£5,895,084	£3,095,715	£34,813,997
Discretionary Fund @ 1%	£46,304	£92,967	£35,188	£58,316	£25,438	£58,943	£30,958	£348,114
Preceptor Breakdown								
Billing Authority	£6,543	£11,085	£4,792	£6,151	£3,447	£8,589	£4,201	£44,808
County Council	£32,759	£67,463	£25,044	£42,981	£18,118	£41,489	£22,046	£249,900
Leicestershire Police	£5,358	£11,035	£4,096	£7,027	£2,963	£6,785	£3,606	£40,870
Leicestershire Fire	£1,644	£3,384	£1,256	£2,157	£910	£2,080	£1,105	£12,536
Total Gross Cost	£46,304	£92,967	£35,188	£58,316	£25,438	£58,943	£30,958	£348,114

20. However, calls on the fund have been significantly lower than anticipated, averaging £105,000 p.a. overall, excluding the first year which included transitional grant from DCLG, (Appendix A to this report). Funding is released on the basis of forecast need with any unspent balance carried forward to the next financial year. The average County Council contribution to the Funds is £75,000 p.a., which is around £11,000 per billing authority.

21. As a result of the low take up, in 2016 the County Council reduced its budgeted contribution to this Fund to £100,000.

Consultation

22. The County Council wrote to the billing authorities in May 2017 to consult on the possible withdrawal of contributions to both the DDF and the administration costs. The closing date for responses was 31 July. A copy was also sent to the other major preceptors.

23. Responses were received from 5 of the 7 billing authorities. No response was received from Blaby District Council or Oadby and Wigston Borough Council. A summary of the responses are given below:

- Charnwood Borough Council – Plans to use internal resources to continue the discretionary fund and to absorb the reduction in administration funding.
- Melton Borough Council – The administration funding has been targeted at the recovery of council tax resulting in improved collection rates, particularly in areas where residents were required to pay for the first time due to the changes. The impact of lost funding may affect that improvement negatively. The discretionary fund is considered an important way to support people’s financial well-being. Where discretionary funding is awarded it is on the proviso that the recipient receives additional support to help them become more financially sustainable.
- Leicestershire Partnership (Revenues and Benefits (Hinckley and Bosworth, Harborough and North West Leicestershire District councils)) – The administration fund is fully utilised and supports the maximisation of council tax collection. The

withdrawal is likely to affect collection and increase debt written off. Discretionary funding provides short term financial help. Although there is low take up to date, this may change when further welfare changes take effect. If County Council funding is withdrawn completely consideration will need to be given to the amounts working age claimants pay (by reducing the amount they pay). Withdrawal would place financial pressure on residents and affect collection rates. Budgets for the partnership for 2017/18 have already been set.

24. The County Council has also advised the other major preceptors of its proposals - the Office of the Police and Crime Commissioner and Leicestershire Fire and Rescue Service. It is possible that the other preceptors may also review their contributions.

County Council Response and Other Funds

25. The financial challenges facing the Council are both serious and extremely challenging. This is particularly so for a low funded authority such as Leicestershire as room for further savings is limited. The current Medium Term Financial Strategy 2017/18 – 2020/21 (MTFS) has a funding gap of £2.1m which is forecast to increase to between £30m and £40m by 2021/22 when the MTFS is updated in Autumn/Winter 2017. This is on top of the need to successfully deliver £43m of savings across the four years of the MTFS to 2021. The Council must therefore consider all options to make further savings.

26. There is a risk that the proposed changes to the administration contributions will affect council tax collection rates in some areas. The Leicestershire Partnership have also raised the prospect that they may reduce the caps on their LCTS schemes. The impact of both changes would fall proportionally on all preceptors (including billing authorities), however, as the largest preceptor, the biggest impact will be on the County Council which receives c.72% of all council tax collected.

27. To support the billing authorities the County Council has indicated its willingness to fund a review of council tax collection processes. Such a review could identify efficiencies and improvements that could help mitigate the reduction in funding. The County Council has also previously noted that collection rates across Leicestershire could be improved when compared with similar areas. However District Councils have indicated that they do not require such a review. Responsibility for council tax administration and collection is a billing authority function and District Councils do receive government funding to provide this service.

28. To allow a sufficient period of notice, the Cabinet are recommended to approve the continuation of contributions towards the LCTS scheme administration costs for the remainder of 2017/18 and then to withdraw funding from 2018/19. This will achieve a saving of £125,000 p.a.

29. The County Council recognises the potential impact of the proposal to withdraw its contributions to the DDF to the Fund and the billing authorities and in turn residents. In order to allow for a longer period of notice to make changes the Cabinet are recommended to approve the continuation of its contribution to this Fund for 2017/18 and 2018/19. At this stage, however, the County Council is prepared to listen to representations from the billing authorities of the benefits of continuing this funding.

30. The impact of the proposals will mean that the saving included in 2017/18 of £100,000 will not be achieved, and an additional £100,000 will be required in 2018/19 to continue the contribution to the DDF for that year. The Cabinet are recommended to set aside funding from the forecast 2017/18 MTFS monitoring underspend to fund this additional cost.

31. It should be noted that the County Council continues to support and contribute to other funds for those facing hardship. During 2017/18 the Council allocated £100,000 of growth funding to ensure that the successor scheme to the Local Welfare provision can continue to support economic inclusion. The Council also provides funding to the Leicestershire Citizens Advice Bureau.

Equality and Human Rights Implications

32. An initial screening assessment for the equalities and human rights impact has been undertaken and reviewed by the Chair of the Departmental Equality Group. No equality and human rights implications have been identified as arising directly from this report. A copy of the EHRIA screening assessment is attached as Appendix B.

Appendices

Appendix A – Historic Discretionary Discount Fund contributions and actual expenditure
Appendix B – Equality and Human Rights Implications Assessment

Background Papers

Report to the Cabinet - 23 June 2017 – District Council Collection of Council Tax
http://politics.leics.gov.uk/documents/s129538/FINAL%20District%20Council%20Collection%20of%20Council%20Tax.pdf

Report to the County Council - 22 February 2017 – Medium Term Financial Strategy 2017/18 to 2019/20
http://politics.leics.gov.uk/documents/s126527/MTFS%202017%20-2021.pdf