Title: **Needs & Redistribution Technical Working Group**

Paper: NR TWG 17-10 Discussion paper regarding the approach to Local Council Tax Support in the Fair Funding Review by the Department for Communities and Local Government

Date: 16 November 2017

Venue: Southwark Council

**POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY**

1. In July, TWG members discussed the main factors which affect a local authority’s ability to raise income through council tax in the context of designing a resources adjustment in the future settlement methodology. This included Local Council Tax Support (LCTS) and some of the issues surrounding how we might adjust councils’ settlement allocations for the amount forgone.
2. This paper expands on that to invite a specific discussion on how the Fair Funding Review should approach LCTS. Responses to the original paper and follow-up contributions have been very helpful and DCLG encourages members’ continued involvement in this area. A more detailed paper will follow at a future meeting.

Introduction

1. Council Tax Benefit (CTB), which was paid out by the Department for Work and Pensions to low income residents to meet their council tax bills, was localised in 2013-14 to become LCTS - £3.3 billion was rolled into the LGF Settlement. This has allowed councils to amend local support schemes for working age residents and have more financial autonomy around their council tax income.
2. Councils are required to have a support scheme and key criteria were set out in the 2012 LGF Act. Furthermore, each year councils are required to reconsider the scheme in line with DCLG’s Prescribed Requirement Regulations. Nonetheless, scheme design is locally determined for working age residents, including eligibility criteria and the level of support which is offered.
3. Low income pensioners are protected from changes, and are guaranteed the same exemption status as under Council Tax Benefit. In 2016-17, 1.7 million pensioners claimed LCTS, receiving £1.38 billion. This is 46% of the £3.03 billion which was spent in that year on LCTS in England.
4. In 2016-17, 2.4 million working age people claimed LCTS, receiving £1.65 billion. This is 54% of the £3.03 billion which was spent in that year on LCTS in England.

Considerations alongside accounting for LCTS in the FFR

1. As full council tax support to low income pensioners is still mandatory but schemes for working age residents subject to discretion, different approaches may be required for each category. For pensioner exemptions it may be possible to adjust a measure of tax base for each authority in a similar way to how the FFR might approach non-discretionary discounts and exemptions.

*Q: Do members agree that a consistent approach should be taken to pensioners in receipt of LCTS and residents in receipt of other nationally set non-discretionary discounts?*

1. For working age residents, a number of factors affect how many claimants a council may offer financial support to, as well as the level of support offered. The amount of income forgone is determined by local choice over how to support low income working age residents. This in turn may be influenced by:

* the relative number of low income residents in the area
* other factors which impact councils’ income, and which may influence scheme design, such as:
* prevalence of other council tax discounts or exemptions, such as Single Person Discounts, student exemptions or low income pensioner support
* the council tax base to need ratio, for example the effect of a high proportion of lower banded properties
* ability to generate other income through commercial activity or fees and charges

1. Since 2013-14 DCLG has collected some data on LCTS. The number of claimants in receipt of LCTS (split between pensioner and working age) and the aggregate amounts forgone by an LA are captured by the Council Tax Base Statistics. For 2013-14 to 2014-15 these were published as experimental statistics and in 2015-16, data were published as national statistics for Q3 and Q4. DCLG also collects LCTS ‘expenditure’ through the Revenue Outturn forms.
2. However, since the benefit was localised, the Government does not collect data on individual LCTS schemes and so cannot calculate the level of support each claimant is receiving or why. Dividing the amount forgone by the number of claimants in receipt of support does not reflect varying eligibility criteria.
3. Using council tax base statistics to adjust a measure of tax base in a resources adjustment when calculating settlement allocations might mean some areas receive an unfair assessment of its council tax base. It would be necessary to understand potential incentive effects.
4. Therefore it will be necessary to explore whether it is possible for LCTS to be factored in a resources adjustment but in a way which attempts to control for the impact on the objectivity of data by local political decisions. It could do this by reflecting an ‘average’ England support scheme, and potentially finding an objective proxy figure for the number of working age residents in need of a reduced bill in the first place.

*Q: What other considerations are important for determining the fairest approach to LCTS in the Fair Funding Review?*

*Q: Do members have ideas for an approach to LCTS?*

**Local Government Finance, DCLG**