

REPORT TO THE MEETING OF THE EXECUTIVE 11 JULY 2012

**PORTFOLIO: PORTFOLIO HOLDER FOR COUNCIL TAX
COLLECTION, BENEFITS AND STRATEGIC HOUSING**

REPORT FROM HEAD OF COMMUNITY SERVICES

SUBJECT: LOCALISING COUNCIL TAX SUPPORT

1 DECISION BEING RECOMMENDED

- 1.1 To approve a consultation process on draft proposals for a Local Council Tax Support Scheme to be implemented from 1st April 2013.

2 REASON/S FOR RECOMMENDATION

- 2.1 The Department for Communities and Local Government's (DCLG) consultation paper on localising support for Council Tax sets out the consultation process required before a scheme can be formally approved.
- 2.2 The Council is required to submit the proposed scheme to some form of public scrutiny, including making the data underpinning the scheme publicly available. There is a requirement to ensure that other authorities, including major precepting authorities, have also been involved in the consultation process.
- 2.3 The consultation process needs to be completed before the final scheme can be designed in detail and agreed by Full Council in December.

3 BACKGROUND

- 3.1 Since the introduction of council tax in 1993, the Council has administered a council tax benefit scheme (along with a housing benefit scheme). The purpose of this was to assist those on low income to pay their council tax by way of a means tested benefit scheme. The benefit has been administered by Councils in accordance with national legislation, under the direction of the Department for Work and Pensions (DWP).
- 3.2 In November 2010 the Government announced a spending review, which in turn included a major overhaul of the current benefit system (Welfare Reform). Part of this reform included the abolition of council tax benefit (CTB) and the introduction of local Council Tax support schemes (LCTSS).
- 3.3 Historically, there has been no "cap" on CTB expenditure but, in order to achieve savings of £480M, the Government have said that LCTSS will be subsidised by a fixed grant, as opposed to the current CTB scheme which is subsidised in full by the Department for Work and Pensions (DWP). The grant, which will be distributed by the DCLG will be 10% less than the current level of CTB expenditure.

- 3.4 The principles that local authorities need to adopt and consider when designing their LCTSS are:
- Council tax support for pensioners will not be reduced. Delivery of support will be through a national ‘rule-based’ approach, similar to the current CTB scheme.
 - In respect of the working-age, the Government has expressed a commitment to vulnerable groups and has suggested that Councils need to take this into account when setting up their local scheme. In addition to equality legislation, vulnerable groups include those affected by Child Poverty Act (children), Disability Act (disabled) and Housing Act (homeless).
- 3.5 Work incentives also need to be factored in and local schemes must also support the improved work incentives to be delivered through Universal Credit.

4 INTRODUCTION

- 4.1 From 1st April 2013, CTB will be replaced by LCTSS. Under this new system, billing authorities will need to decide who is eligible for support and what level of support they should receive. These decisions need to be taken in conjunction with the reduced level of funding i.e. 10% less than the current level of CTB expenditure.
- 4.2 The grant, to be issued by DCLG, will be paid to Rochford District Council and the other preceptors (County, Fire and Police) in proportion to the respective share of the Council Tax. The impact of the funding cut means that it will directly reduce the amount of support we are able to provide for working-age claimants. Not only that, factors such as growth in demand, protecting vulnerable groups and financial contingencies also need to be carefully considered and budgeted for.
- 4.3 The current scheme is a benefit scheme, where we effectively transfer money from the Benefit system to the Council Tax account. The new LCTSS will be administered as a Council Tax discount which means that the tax base, a fundamental part of the budget setting process, will be reduced.

5 FINANCIAL IMPACT

- 5.1 A new LCTSS presents various financial challenges some of which are high risk for the Council. Funding for the scheme will be given in the form of a fixed grant, as opposed to the current subsidy mechanism, and this will present risks which will have to be shared by all the precepting authorities.
- 5.2 In May 2012 the DCLG issued a consultation paper setting out their proposals for funding arrangements for LCTSS from April 2013.

- 5.3 The total amount for distribution will be 90% of the DWP forecasts for CTB expenditure in 2013/14. The funding will then be distributed between billing authority areas, according to its share of annual subsidised council tax benefit expenditure for 2011/12. It is then split between the billing and major precepting authorities within each billing authority area, according to shares of the council tax for 2011/12 in each authority.
- 5.4 There are various options to deal with the cut in funding. It can be part subsidised, fully subsidised or passed on in its entirety to working age claimants.
- 5.5 The illustration below gives an overview of the impact if a cost-neutral scheme were to be implemented and if the 10% cut in funding were to be wholly passed on to working-age claimants.

Caseload split	Number of claimants	Ratio	Annual Expenditure	Distribution of 10% cut	Average cut per claimant	Average cut per claimant
Pensioner Claimants	3,071	57.6%	£2,969,257	Nil	Nil	Nil
Working Age Claimants	2,261	42.4%	£2,140,565	£510,982	23.87%	£226
Total	5,332	100%	£5,109,822	£510,982	10%	£96

- 5.6 It is pertinent to note that if the cut is not passed on in its entirety it will cause an additional budget pressure of £510K which will need to be borne, in proportion, by the Council and major precepting authorities. This in turn could have serious repercussions, such as having to impose service delivery reductions in other areas to cover the deficit.
- 5.7 In recognising that major precepting authorities will share in the financial risks associated with a LCTSS, the Government have included in the new legislation the requirement that billing authorities must consult with major precepting authorities on the design of their scheme.
- 5.8 Consequently a pan-Essex project group was set up involving representatives from all the billing authorities in Essex together with officers from all the major precepting authorities (County, Fire and Police). This group has been working together to jointly develop a common framework for a LCTSS across Essex.
- 5.9 It is important to distinguish between a common framework and a common scheme. Under a common framework there will be:-
- Common components to scheme design

- A shared commitment to develop scheme designs that deliver the required reduction in expenditure with no cross subsidy from the General Fund or other potential revenue sources, such as the technical changes to Council Tax reform
 - Common approach to consultation between billing and major precepting authorities
 - Joint consultation on scheme designs between Essex authorities and the public
 - A standardised approach to administering a LCTSS
- 5.10 There will not be a common scheme because all billing authorities have different demographics. For example, an Essex wide restriction to only provide council tax support up to the level of council tax payable by Band C properties could be, in some areas, irrelevant if the majority of properties were already in Band C or lower. Likewise it would be very different in more affluent areas where imposing a Band C restriction could result in significant savings if the majority of properties in that area were in Band D and above.
- 5.11 The key components of the LCTSS framework being proposed are set out below and are categorised according to Government imposed components and locally determined components

Government imposed components

- The Government intends that council tax support will be offered as reductions in the council tax system.
- Regulations will set the rules, allowances and awards for claimants of state pension credit age so that they do not experience a reduction in support as a direct result of this reform
- Local authorities have the freedom to design LCTSS but they must take into account their responsibilities towards vulnerable groups and the importance of supporting work incentives

Locally determined components

- Develop a scheme that is cost neutral i.e. the costs to provide council tax support from 1st April 2013 will be in line with the level of grant distributed by the DCLG
- In view of the very tight timescales, a scheme be adopted which is mainly based on the existing CTB regulations
- The new scheme will, as far as possible, cater for anticipated growth in demand

- Reduce the complexities of the current CTB scheme and make the new scheme easier to claim and administer
- 5.12 In order to provide the level of savings required, over 40 options have been considered in order to reduce the current level of CTB expenditure on working-age claimants. In doing this much thought has been given to the way in which the overall impact on these claimants can be minimised, where possible, and that all the requirements under equalities legislation are met in full.
- 5.13 The proposed themes for consultation, all of which form part of the Essex-wide framework, are:-

- Only provide Council Tax support up to the maximum level of Council Tax payable on a Band D property
- Reduce the qualifying capital level from the current £16,000 for CTB to £6,000 for LCTS
- Remove the current Second Adult Rebate scheme
- Remove the principles of calculating 'underlying entitlement' when an overpayment has occurred

Further proposals for consultation, both of which are deemed necessary in order to make the required financial savings, are:-

- Reduce the eligible level of Council Tax used in the calculation of support to 80% of the maximum weekly liability
 - Use Child Benefit and Child Maintenance in the calculation of Council Tax support. Any income in relation to these sources is currently disregarded in full in the calculation of Council Tax Benefit
- 5.14 It is also proposed that non-dependant deductions for Council Tax support be abolished. This will incur a small cost but the perceived advantage in doing this is that it will help to reduce the pressure on young people to leave home. The intention is to encourage claimants to allow friends and adult relatives on benefits and low incomes to reside with them in order to reduce homelessness and under occupation of social housing. It will also reduce the need for young people on a low income to leave home and rely on Housing Benefit as a means of financial support for living accommodation.
- 5.15 In addition to the scheme parameters it will be necessary to have a safety net policy to assist claimants who will be adversely affected by reductions in Council Tax support. The aim will be to provide claimants with assistance where it is considered that further financial help is required in the event of extreme hardship.

6 CONSULTATION PLAN

- 6.1 Before final approval of LCTS schemes by Full Council, councils are required to consult the major preceptors (County, Police and Fire), the public and relevant stakeholder groups, eg Citizens Advice Bureau (CAB), voluntary bodies.
- 6.2 The major preceptors have been involved in the pan-Essex project meetings and CAB, RSL's and other third sector voluntary groups have been updated at a multi agency meeting held on 23rd May. These groups, together with many other stakeholders in the Revenues and Benefits service, have all been kept informed of project progress via the In Brief bi-monthly newsletter.
- 6.3 The formal consultation period will be initiated following agreement at this meeting and will be completed by September. Consultation will be coordinated by Essex County Council's communications team. It will primarily be a web-based consultation process but other options for responding will be made available for those who do not have access to the Internet. This approach is consistent with the other Essex authorities.
- 6.4 All claimants currently receiving Council Tax Benefit, both working age and pensionable age claimants, will be written to and informed of the consultation process and invited to participate.

7 RISK IMPLICATIONS

- 7.1 The main risk is not meeting the very tight timetable for implementing the LCTSS. The scheme must be agreed by 31 January 2013 at the latest. Failure to provide a scheme by this date will trigger a default scheme imposed by the Government. This is likely to be the existing CTB scheme with a 10% cut in funding to administer it. In order to ensure that this Council has a scheme in place by the deadline, the final scheme will be presented to December's Full Council for approval and a project plan is in place with fortnightly project team meetings to monitor progress.

8 RESOURCE IMPLICATIONS

The financial implications affecting the Council's Medium Term Financial Strategy (MTFS) and budget process for 2013/14 are considered in the separate MTFS update report on this meeting's agenda.

9 LEGAL IMPLICATIONS

- 9.1 There will be legal implications if the Council has not agreed a LCTSS by 31st January 2013 which could result in the Government imposing a default scheme on the Council.

10 EQUALITY AND DIVERSITY IMPLICATIONS

- 10.1 In accordance with the Council's Single Equality Scheme a comprehensive Equality Impact Assessment will be done on the proposals going out for consultation.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

SMT Lead Officer Signature: _____

Head of Community Services

Background Papers:-

Localising Support for Council Tax: A Statement of Intent – DCLG.

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