

CABINET MEETING – 18 SEPTEMBER 2012

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Draft Localisation of Council Tax Support Scheme

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To provide Cabinet with an overview of Government proposals to localise Council Tax Benefit, through the introduction of the Local Council Tax Support Scheme from 1 April 2013, and to highlight the potential implications for the Council and its residents.

Description of Decision:

That Cabinet be recommended to:

- a) Approve the Draft Local Council Tax Support Scheme as outlined in the report for the purpose of consultation
- b) To the extent that such consultation has not been possible in advance of the date of this meeting, agree to consult the major precepting authorities (fire and police) on the Draft Local Council Tax Support Scheme as outlined in the report and authorise the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary to reflect any comments received from precepting authorities in the Draft Scheme.
- c) Authorise publication of the Draft Scheme (amended as appropriate in light of the consultation with the precepting authorities) on the Council's website and in any additional manner determined by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary.
- d) Agree to consult other persons likely to have an interest in the operation of the Scheme, following its publication. Such persons to include representatives/representative groups of Council Tax payers and Council Tax benefit claimants, voluntary organisations and community groups, with the Executive Director of Commercial and Corporate Services being authorised to determine the final details of the consultation process in consultation with the Leader of the Council and Cabinet Secretary.
- e) Receive a further report regarding feedback from the consultation exercise and the proposed final scheme.

Is the decision consistent with the Budget/Policy Framework? *Yes	
If not, Council approval is required to change the Budget/Policy Framework	
Suggested reason(s) for Decision: The council must have a Local Council Tax Scheme approved by 31 January 2013, otherwise, the default scheme will be imposed.	
Alternative options to be considered and recommended to be rejected: There are no alternative options recommended.	
Impacts analysed;	
Equality <input checked="" type="checkbox"/>	Privacy <input checked="" type="checkbox"/> Sustainability <input checked="" type="checkbox"/> Crime and Disorder <input checked="" type="checkbox"/>
Is this a “Key Decision” as defined in the Constitution?	Yes Scrutiny Committee
Is it included in the Forward Plan?	No

DRAFT LOCALISATION OF COUNCIL TAX SUPPORT SCHEME

REPORT OF THE EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES

1. Purpose of the Report

1.1 To provide Cabinet with an overview of Government proposals to localise Council Tax Benefit, through the introduction of the Local Council Tax Support Scheme from 1 April 2013, and to highlight the potential implications for the Council and its residents.

1.2 The report sets out the key milestones and actions required following the Government response to the outcome of the consultation into these proposals, as set out in the Welfare Reform Bill, which is progressing through Parliament.

2. Description of Decision

2.1 That Cabinet be recommended to:

- a) Approve the Draft Local Council Tax Support Scheme as outlined in the report for the purpose of consultation
- b) To the extent that such consultation has not been possible in advance of the date of this meeting, agree to consult the major precepting authorities (fire and police) on the Draft Local Council Tax Support Scheme as outlined in the report and authorise the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary to reflect any comments received from precepting authorities in the Draft Scheme.
- c) Authorise publication of the Draft Scheme (amended as appropriate in light of the consultation with the precepting authorities) on the Council's website and in any additional manner determined by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary.
- d) Agree to consult other persons likely to have an interest in the operation of the Scheme, following its publication. Such persons to include representatives/representative groups of Council Tax payers and Council Tax benefit claimants, voluntary organisations and community groups, with the Executive Director of Commercial and Corporate Services being authorised to determine the final details of the consultation process in consultation with the Leader of the Council and Cabinet Secretary.
- e) Receive a further report regarding feedback from the consultation exercise and the proposed final scheme.

3. Background

- 3.1 As part of the Spending Review 2010 the Government announced that the current national Council Tax Benefit (CTB) system would be replaced by a localised Council Tax Support Scheme from 2013-14.
- 3.2 As well as the transfer of responsibility from Central to Local Government, the Government will cut the level of grant support to Local Authorities by an average of 10% nationally in 2013- 14. However, the reductions vary based on benefit caseload information which the government has provided. For Sunderland the estimated reduction equates to approximately 13% which is estimated to be up to £3.4m. Exact figures will be finalised as part of the Local Government Finance settlement.
- 3.3. On 17 February 2011, the Government published its Welfare Reform Bill, setting out some of the most significant proposed changes to the welfare system in decades. The Bill contains the provision to replace six working age benefits including Housing Benefit (HB), with the new 'Universal Credit' (UC). The Spending Review 2010 assumed that welfare reform changes would generate £18bn savings nationally. In the March 2012 budget the Chancellor announced the requirement for a further £10bn of savings from the welfare budget.
- 3.4. A key change in the Bill is the Government proposal to abolish the national Council Tax Benefit system and replace it with the implementation of a Local Council Tax Support scheme from 1 April 2013.
- 3.5. On 2 August 2011, the Communities and Local Government (CLG) consultation paper 'Localising Support for Council Tax in England' was published, setting out the Government's policy objectives with regards to these changes. It provided some guidance and detail of the framework funding and design for local schemes. The deadline for the consultation responses was 14 October 2011 and the Council submitted a response in line with this deadline.
- 3.6 On 19 December 2011, the Government published its Local Government Finance Bill. At the same time, the Government also published responses to views expressed during the consultations on proposals for Localising Support for Council Tax.

4. Current Position in Relation to Council Tax Benefit

- 4.1. CTB is a means tested benefit that is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP). Claimants in receipt of means tested out-of-work benefits generally receive full assistance; eligible claimants who work or have other income are likely to get partial relief; around 60% of all pensioners are entitled to CTB, although not all who are entitled actually claim.

4.2 Nationally, current expenditure equates to approximately £4.8 billion and over 5.8 million people claim CTB, more than any other means tested benefit.

5. Government Policy Objectives

5.1. The Government has stated it has two underlying principles underpinning its approach to the localisation of Council Tax Benefits in England:

- Localised schemes should provide support for the most vulnerable, including vulnerable pensioners;
- Localised schemes should assist with lifting the poorest people off benefits and supporting them into work in line with the principles set out under Universal Credit

5.2. The Government believes localising Council Tax Benefits will provide Local Authorities with a financial stake in ensuring these principles are successfully supported.

5.3. The Government has stated that it will continue to engage with Local Authorities to support their work in preparing for the introduction of local schemes, which need to be in place by 1 April 2013.

5.4 Within Sunderland, as with wider Welfare Reform, there are significant concerns as to the adverse impact of this grant reduction on both the City and its residents.

6. The New Framework for Council Tax Support Scheme

6.1. Financial support for low income council tax households will become fully integrated into the Council Tax system, with support being offered as reductions on Council Tax bills rather than a benefit awarded against their full Council Tax liability. This means that local decisions about which vulnerable groups should qualify for council tax support, including the reduction on income grounds, will need to be taken as part of the Council tax-setting process.

6.2. In developing their local scheme Councils will need to know:

- The scheme grant allocation – the expectation is that grant will be paid to billing and major precepting authorities pro-rata to their share of Council Tax, thereby reducing each authority's Council Tax requirement

- The potential caseload – prior year data will be available to initiate the process of decision making about the operation of local schemes. The authority will need to model caseload and to analyse the effects of changing variables including the factors which could lead to an increase in demand across certain groups.

6.3. Any new Local Scheme will need to:

- Detail the Council Tax Support scheme to be implemented;
- Include categories of claimant entitled to a Council Tax reduction and the Council Tax reductions which are to apply to those categories. The Secretary of State will be given powers to specify categories of persons and the reduction they will be entitled to, but the Government intend to only use this power to prescribe support to be provided to pensioners;
- Set out procedures for applicants to follow in making applications;
- Set out procedures for appealing decisions (it is intended that the Valuation Tribunal is the independent appeal body)

6.4. In advance of the final new scheme being considered by the Cabinet, the Council will need to undertake consultation in order with:

- Major precepting authorities. In our case these are the Police and Fire Authorities, who will potentially share the effects of any increases or reductions in demand for Council Tax benefits and costs based on the local scheme offered
- The public. The Council will need to carry out a public consultation on the content of its proposed scheme during the autumn. The Government will consider if it should prescribe in regulations how the public consultation will operate as the Bill progresses

6.5. It is intended that the Council's scheme will be approved by Cabinet by 31 December 2012. This timetable will be time pressured and the Government is being lobbied to release the new regulations as soon as possible.

6.6. Where billing authorities do not adopt a scheme by 31 January, then the Government's default scheme will need to be used which it will set out in Regulations. This default scheme will retain the criteria and allowances in the current Council Tax benefit scheme. It will also contain default procedures that the local scheme must cover. There are however significant financial disincentives for Local Authorities in using the default scheme as this would require the significant financial reduction in support for Council Tax benefit which is being imposed by Government needing to be found from other Council resources at a time of prolonged and deep reductions.

- 6.7. From 2014/15 onwards, if a billing authority still fails to adopt a new scheme, the scheme in operation in the previous year will continue.

7. Financial Implications – Funding the Local Scheme

- 7.1. Government funding of the new scheme in 2013/14 is expected to broadly equate to 90% of the Council's spend on CTB in 2012/13. The funding will be allocated in advance of 1 April 2013 to enable Councils to plan ahead. The Council will be expected to consider any contingency arrangements for unplanned increases in demand and take-up which it will have to fund from within existing resources.
- 7.2. The Government intends to publish a technical note on how the new grant will be distributed for the first two years of the scheme. The Government is currently minded to base the distribution on "historic Council Tax benefit expenditure patterns".
- 7.3. Annual allocations will be provided for the first two years of the scheme and Government will consider if a new basis of funding is required from 2015/16 onwards; and whether multi-year allocations would provide greater certainty and allow Local Authorities to benefit financially where demand for support reduces over several years.
- 7.4. The Government will base funding levels, in the first two years of the scheme, on Office of Budget Responsibility (OBR) forecast for spending on Council Tax Benefit. The Government states that these forecasts already include assumptions about underlying demographic changes and Council Tax increases.
- 7.5. Clearly the Government proposals will place another significant reduction in resources (estimated at £3.4m) on the City Council.
- 7.6. The proposed Draft Local Council Tax Support Scheme and further measures as part of the budget planning process for 2013/2014 will mitigate the impact of the proposed Government funding reductions amounting to £3.4m.

8. Implications of the Proposed Changes

- 8.1. Council Tax benefit currently received by pensioners must not be reduced as a result of the introduction of the new council tax support scheme. The Government wants to ensure that low income pensioners, who would struggle to pay Council Tax without additional support, and whom the Government does not expect to work to increase their income, will continue to receive the same level of support against their Council Tax bills.

- 8.2. The consultation paper highlights that Councils need to protect vulnerable groups, although the Government has not fully specified its intentions in this regard other than to say '*Local Authorities already have clearly defined responsibilities in relation to, and awareness of, the most vulnerable groups and individuals other than pensioners in their areas*'. This includes, for example, through their responsibilities under:
- The Child Poverty Act 2010
 - The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970
 - The Housing Act 1996, which gives Local Authorities a duty to prevent homelessness with special regard to vulnerable groups
- 8.3. The Government expectation is that the Council should not seek to undermine the principle of the new Universal Credit scheme which aims to incentivise people to move from benefit into work. People should therefore have more overall income in work than out of work.
- 8.4. The following table provides a summary breakdown of the current Council Tax benefit payments by client type in Sunderland in 2012/13. There has been an overall reduction of 101 in benefit claimants between January 2012 and July 2012:

Customer	No of Claimants	Amount of Benefit awarded
Pensioners	18,874	£13.4m
Working age	19,441	£13.1m

Working aged claimants Breakdown

Customer	No of Claimants
Couples with no dependant children	1,733
Couples with dependant children	3,056
Single with no dependant children	8,539
Single with dependant children	6,113
Second adult rebate (inc in above)	320

Working age Band Breakdown

Band	No
A	17,699
B	1,161
C	400
D	126
E	43
F	7
G	5
H	0
Total	19,441

- 8.5. It is recognised that the proposed Council Tax benefit changes are far-reaching and should not be under-estimated.

Government have set all Councils a very demanding challenge of:

- Introducing changes to an already complex Council Tax benefit system within a very short time scale
- Understanding the potentially far-reaching implications of changes on a large number of vulnerable people, financially dependent upon the benefits system
- Assuming financial risks that would necessarily accompany increases of benefit take-up. This is the first time that Local Government rather than Central Government would assume these risks. Clearly Authorities with a high proportion of people on benefits face higher risks than those serving less deprived areas. This increased risk comes at a time of unprecedented reductions in resources available to Local Authorities
- Ensuring that all changes made are compliant with relevant legislation such as the Equalities Act

9. Consultation

- 9.1. The Government requires the Council to consult with major preceptors and then the public on its proposed scheme. In view of the short timescale available it is hoped that the comments of the major precepting authorities will be available to report to members at the meeting. However, if this proves to be impracticable, it is suggested that any amendments to the Draft Scheme required in the light of that initial consultation be incorporated into the Scheme by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and the Cabinet Secretary. In the event that the comments required a significant amendment to the Scheme, however, the matter would be reported back to Cabinet for further consideration. Subject to this process, it is intended to publish the Draft Scheme and start the second-stage public consultation by the end of September for a period of eight weeks. Those to be consulted will include, current Council Tax Benefit claimants, council tax payers, voluntary organisations, community groups etc.
- 9.2 It is intended to use the Citizen Panel and the Council website for the main focus of the consultation. The eight week period is the maximum we can allow to achieve the Government's extremely challenging timetable of agreeing a scheme by 31st January 2013. The consultation feedback will help identify where there may be any adverse impact on any particular group or individuals. It is envisaged that exact details of the consultation process will be finalised over the next couple of weeks.

10. Proposed Draft Local Council Tax Support Scheme

- 10.1 Legislation prevents any cuts in Benefit to pensioners therefore cuts can only be made to claimants who are of working age.
- 10.2 It is proposed that the scheme would calculate 'Benefit' in the same way as it does now but will reduce entitlement by £2 per week for families with dependant children and £3 per week where there are no dependant children after taking into account all of the following criteria:
- (a) Maximum benefit will be calculated at Band B. There are currently 581 properties at Bands C to H where Council Tax benefit is awarded.
 - (b) Second Adult Rebate normally paid to council tax payers for the loss of single person discount caused by the presence of another adult(s) who are generally not working or have low income. Claimants of Second Adult Rebate do not receive normal council tax benefit. It is therefore proposed to abolish Second Adult Rebate. This will affect 270 households.
 - (c) The current system allows claimants to qualify for benefit with savings of up to £16k. The new draft scheme proposes to reduce the capital limit from £16k to £8k.
 - (d) Non dependants' deductions are made for members of the household who are not claimants who earn their own income or are on benefits. Deductions vary upon circumstances from £NIL to £9.90 per week. The proposed new scheme increases deductions for all non dependants by £1 per week. There are currently 3,500 non dependants.
- 10.3 Under the new proposed draft scheme approximately 800 Council Tax benefit claimants will no longer be eligible for the reduction.
- 10.4 A flat rate reduction (as opposed to a percentage rate reduction) is a much fairer and less regressive scheme to the many benefit claimants in Sunderland who will be affected by these and other government welfare reform changes. Analysis shows that a flat rate approach will make the scheme easy to administer and make it more likely that the additional Council Tax payable will be collected.
- 10.5 However it should be noted that the high levels of Council Tax collection the Council has previously delivered will be increasingly difficult to maintain and there will be extra administration resulting from collecting small amounts of council tax from claimants who previously paid nothing.

11. Impact Analysis

- 11.1 Work is ongoing to assess the impact of this scheme alongside the related impacts of the significant number of welfare and benefit reforms either already introduced or still being planned by Government.

- 11.2. A comprehensive Equality Impact Assessment will be undertaken taking into account analysis of public consultation. It should be noted that the Government has legislated that pensioners must not be adversely affected by this change so any assessment will be regarding working age recipients only.

12. Reasons for the Decision

- 12.1 The council must have a Local Council Tax Support Scheme approved by 31 January 2013, otherwise, the default scheme will be imposed
- 12.2. The changes referred to in this report result from Government's reduction in funding and will affect the council, its citizens and its employees. The impact will be determined further following consultation and it will be closely monitored prior to and following the scheme's introduction. If the council was to subsidise the scheme further the extra cost would fall on the Council which would mean budget reductions in other services.
- 12.3. With increased amounts of Council Tax to pay, in a context of reducing Welfare benefits and increasing costs, individuals will face increasing financial hardship. Together these changes will restrict choices and reduce opportunities to spend on anything other than essentials such as rent and council tax. Increased demands on other Council services will result and this will have to be assessed once details on other changes are known.

13. Alternative Options

- 13.1 There are no alternative options recommended

14. Other Relevant Considerations

14.1 Legal Implications

- 14.1.1 This report has been written using information provided by Government to date including 'statements of intent' issued by the DCLG, however relevant legislation is not yet available and will be contained in the Local Government Finance Act and subsequent regulations when the Parliamentary process has been complete. Because of this the legal implications will need to be reassessed once legislation is available.
- 14.1.2 If the council does not consult on the draft scheme, it will be forced to adopt the default scheme. Going to the default scheme will mean the council has failed to comply with its statutory obligations to make a scheme by 31st January 2013.
- 14.1.3 If the council actively intends to adopt a reduction scheme then it is obliged to consult with major precepting authorities and with such other persons it considers are likely to have an interest.

14.2 Employee Implications

14.2.1 To accommodate a local scheme, some changes to the Council tax and Benefits service may be required. Any changes will also need to take into account the significant future Housing and Welfare benefit changes resulting from the introduction of Universal Credit.

15. Background Papers

Welfare Reform Bill 17 February 2011

Local government /finance Bill 19 December 2011