

LOCALISED COUNCIL TAX SUPPORT SCHEME

Submitted by: Head of Revenues & Benefits

Portfolio: Communications, Transformation and Partnerships

Ward(s) affected: All

Purpose of the Report

To allow Cabinet Members to consider a draft Localised Council Tax Support scheme to enable a period of statutory consultation to begin.

Recommendations

(a) To approve, for the purposes of consultation, the draft Newcastle-under-Lyme Council Tax Support Scheme.

(b) To authorise the Executive Director (Resources and Support Services) to initiate the statutory consultation process.

Reasons

The Welfare Reform agenda will see the current Council Tax Benefit scheme replaced by Localised Council Tax Support with effect from 1 April 2013. Localised schemes need to be approved by 31 January before the start of the new financial year to which the scheme applies, following consultation with interested groups and individuals. To allow for an adequate period of consultation prior to the approval of a localised scheme, a draft scheme needs to be in place to engender appropriate comment and feedback.

1. Background

- 1.1 The Local Government Finance Bill was introduced to Parliament on 19 December 2011. The bill makes provision for the localisation of council tax support by imposing a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme.
- 1.2 As announced in the 2010 Spending Review, support for council tax will be localised from 1st April 2013 and national expenditure incurred to fund the scheme will be reduced by 10%. Currently, any council tax benefit awarded by the Council to residents is covered in full by Government subsidy.
- 1.3 The Local Government Finance Bill is still being considered by Parliament, but the Department for Communities and Local Government has provided a statement of intent for the regulations to be introduced under the bill in respect of Council Tax Support and has provided draft regulations. To assist councils in developing their schemes, guidance has also been provided covering various aspects of what should be considered in the schemes design.
- 1.4 The Welfare Reform Act 2012 contains the provision for the abolition of Council Tax Benefit.

2. **Issues**

2.1 In 2011/12 £8,348,768 was paid in Council Tax Benefit to residents of the borough, the cost of which can be attributed proportionately as follows:

• Staffordshire County Council	70.5%
• Staffordshire Police Authority	12.2%
• Newcastle-under-Lyme Borough Council	12.1%
• S-o-T & Staffordshire Fire Authority	4.6%
• Parish Councils	0.6%

The value of council tax benefit paid in respect of Newcastle-under-Lyme Borough Council in 2011/12 was therefore £1,010,201. The proposed 10% reduction in funding would therefore cost this Council in the region of £100,000. The other bodies will be affected in proportion as shown above. Overall, a 10% reduction for all these organisations equates to approximately £835,000.

2.2 Although termed a 'localised scheme', central government will still place restrictions on certain classes of claimant. For example, claimants of pension age must continue to receive assistance at the same level under the new scheme to that which they received under the current Council Tax Benefit scheme. Newcastle has a 51% pensioner caseload for Council Tax Benefit claimants, meaning the cost of any reductions made within a proposed local scheme will fall on the remaining none protected claimants.

2.3 Where a billing authority fails to approve a Localised Council Tax Support scheme by the 31 January, central government will impose a default scheme that is likely to be the existing Council Tax Benefit scheme and this will not generate any savings. This would mean the 10% cut in funding would require financing by alternative means.

2.4 It is universally acknowledged that the timeframe for the design and implementation of Localised Council Tax Support is challenging. This will potentially mean that schemes will evolve over a number of years whilst they adapt to the needs of the local community.

3. **Options Considered**

3.1 Introducing Localised Council Tax Support leaves the potential for a 'post code lottery' to be developed and as far as possible this was thought to be undesirable. For this reason the Staffordshire Leaders and Chief Executives Group agreed to the establishment of a county wide working group to include all the district councils, Stoke-on-Trent City Council, County Council, Police and Fire services to come up with a standardised scheme for the whole county. This group was to report progress to the Staffordshire Chief Finance Officers Group and was tasked with achieving the required 10% savings from within anticipated revised Localised Council Tax Support budgets. Final details of the funding available for 2013/14 will not be known until shortly before the deadline for adopting a new scheme on 31st January 2013.

3.2 From an early stage, it was apparent that a truly common scheme across the whole county was unlikely to be achieved because of the different demographics of the benefit caseload for each area. However, the group have successfully identified a common framework, against which an individual local authority will be able to select elements which best meet their requirements. This draft framework is attached at Appendix A.

3.3 As previously noted, at this time, some of the legislative framework required to implement Localised Council Tax Support has yet to be enacted. This means that suppliers of all

benefits software systems, including ours, will be faced with very tight timescales to make their systems legislatively compliant in time for the new schemes coming into force by 1 April 2013. In reality, new year Council Tax bills for 2013/14 will need to be calculated and issued, taking account of any new scheme, between late February and mid March 2013. To mitigate these problems, software suppliers have been liaising with their customers on potential schemes and this process is ongoing. However, it is likely that some proposals may not be achievable in year one of Localised Council Tax Support because of restrictions with the software. Further development work will hopefully resolve these problems for year two. From the information currently available, it is believed that this will not directly impact on our proposed scheme.

- 3.4 By their very nature, means tested benefits are an ever changing picture as claimants circumstances alter. During the last three years the caseload for Newcastle has fluctuated by 7.5% and any scheme approved will need to anticipate such variances because once approved, the scheme can not be amended until the next financial year. To assist with this both the Department for Communities and Local Government and several commercial organisations have produced modelling tools to help to calculate the effects of any proposals for a localised scheme. Unfortunately, the modelling tool supplied by the Department for Communities and Local Government lacks the sophistication of those available commercially and use has been made of two, one common across the county wide group and another specifically designed for use with our core benefit software. The continued use of these tools to confirm initial findings and to identify where schemes may need refining in the future will be an important and regular operational task.
- 3.5 The Council has a statutory duty to consult on its proposed scheme and to ensure that a full range of views are obtained through the consultation process. There is a duty to consult with the major precepting authorities: Staffordshire County Council; Staffordshire Police Authority and Stoke on Trent and Staffordshire Fire and Rescue Authority. As previously mentioned these organisations are included in the county wide working group and are represented at the Staffordshire Leaders and Chief Executives Group and the Staffordshire Chief Finance Officers Group where reports regarding the county wide framework for the Council Tax Support scheme are discussed. Other groups who will need to be consulted include:
- Existing Council Tax Benefit claimants
 - Wider Council Tax payers
 - Advocacy/welfare groups representing potentially affected groups
 - Partner organisations which may be affected directly and/or indirectly
 - Parish councils

This list is obviously not exhaustive and consultation will be co-ordinated through the county wide working group, with the assistance from the Communications Section at each district council. The actual consultation plan is currently being finalised and a draft of the consultation questionnaire and related documents will be available prior to this Cabinet meeting.

4. **Proposal**

- 4.1 Appendix B shows a draft Newcastle-under-Lyme Borough Council Tax Support Scheme. Its proposed savings and costs for elements from the framework would achieve the required budgetary reductions for Newcastle and its precepting authorities and takes into account the core principal of incentivising work and is mindful of other issues around vulnerability and child poverty. The table also details the number of claimants affected by the proposals.

4.2 Consultation needs to be started as soon as possible following this meeting to allow for an adequate timeframe to receive and analyse responses and to allow for any necessary scheme adjustments identified to be included in the final scheme for approval before the 31st January 2013.

5. **Reasons for the Preferred Solution**

5.1 The business area affected is a statutory function and the Council must have in place the necessary local scheme before 31 January 2013 or face the imposition of the default scheme, over which it would have no adequate financial control.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

6.1 A Localised Council Tax Support scheme will replace the existing Council Tax Benefit but will continue to contribute towards creating a healthy and active community.

7. **Legal and Statutory Implications**

7.1 Draft regulations and several statements of intent have been issued by the government to indicate that Council Tax Benefit will be replaced by Localised Council Tax Support with effect from 1 April 2013. In order to comply with the timescales of approving a local scheme by 31 January 2013, going through the required consultation process this needs, it is not possible to wait until the actual regulations have been enacted. Localised Council Tax Support is a key element of the Welfare Reform agenda and it is most unlikely there will be any significant variance from the draft regulations already supplied.

8. **Equality Impact Assessment**

8.1 In designing our Council Tax Support scheme, consideration must be given to the implications for vulnerable people, with particular attention to

- Equality and Diversity
- Child poverty
- Homelessness
- Disability

8.2 A detailed Equality Impact Needs Assessment is being prepared to identify any adverse implications for particular groups. It is recognised that the introduction of the Council Tax Support scheme will have an impact on some of the most vulnerable households in the district. The Assessment will identify any mitigating actions that may be required.

9. **Financial and Resource Implications**

9.1 Localised Council Tax Support will be treated as a discount on the Council Tax bill, much like Single Persons Discounts. This means that the Council Tax base will be smaller. In order to avoid significant increases in the Band D figure arising from having a smaller tax base, the government funding will be treated as income that reduces the amount to be raised from Council Tax. However, this government funding will be 10% lower than the equivalent amount currently received.

9.2 Recouping the lower funding levels in the design of a local scheme is likely to impact on Council Tax collection rates and costs, with potentially many more small value bills needing to be administered, resulting in additional pressures on the Revenues and Benefits Section.

9.3 Central government are to provide some funding under its new burdens scheme. Software suppliers will be required to make significant changes to accommodate the introduction of Localised Council Tax Support but at this point are unable to confirm exactly how much these changes will cost, although it is likely to be significant. However, it is anticipated that the new burdens funding will be sufficient to cover these costs.

10. **Major Risks**

10.1 Any scheme which does not fully pass on the loss of government grant to claimants will require the Council to identify alternative funding. The choice of scheme could, therefore, impact on the Council's future budget plans.

10.2 Council Tax payers could see their bills increase if the funding loss is not passed on to claimants.

10.3 Any increase in the number of Council Tax accounts to be administered could result in additional administrative costs, particularly in relation to debt recovery. This could have a knock on effect on the overall Council Tax collection rate.

10.4 Council Tax Benefit is currently administered alongside a claim for Housing Benefit. If vast differences are created between the two schemes, this will increase the administration requirements of making an assessment of entitlement.

10.5 Failure to consult on Localised Council Tax Support may result in the Borough Council being subject to judicial review.

10.6 Failure to adopt a Localised Council Tax Support scheme by 31 January 2013 will result in the default scheme being imposed, resulting in financial loss to the Council and all its precepting bodies.

11. **Key Decision Information**

11.1 The move from Council Tax Benefit to a Localised Council Tax Support scheme represents a change in the delivery of a statutory function. A significant minority of our residents will be directly affected by this change, while all will potentially have an opinion on what should and should not be included. Our local scheme needs to deliver assistance to those who most need it at a cost that is acceptable to the majority.

12. **Earlier Cabinet/Committee Resolutions**

None

13. **List of Appendices**

Appendix A – Draft Staffordshire Localised Council Tax Support Framework
Appendix B - Draft Newcastle-under-Lyme Borough Council Tax Support Scheme

15. **Background Papers**

Localising Support for Council Tax: A Statement of Intent -

<http://www.communities.gov.uk/publications/localgovernment/localisingsupportcounciltax>

Localising Support for Council Tax Vulnerable People – key local authority duties –

<http://www.communities.gov.uk/publications/localgovernment/lscvulnerablepeople>

Localising Support for Council Tax: Funding Arrangements consultation -

<http://www.communities.gov.uk/publications/localgovernment/2146644>

Localising Support for Council Tax – Taking work incentives into account -

<http://www.communities.gov.uk/publications/localgovernment/lscworkincentives>