

LOCALISED COUNCIL TAX SUPPORT SCHEME - CONSULTATION

Submitted by: Head of Revenues & Benefits

Portfolio: Communications, Transformation and Partnerships

Ward(s) affected: All

Purpose of the Report

To inform Cabinet Members of the results of the consultation undertaken to consider the draft Localised Council Tax Support scheme approved at the Cabinet meeting on the 19 September 2012.

Recommendation

That the consultation results be noted and used to help formulate the Localised Council Tax Support scheme for the borough area.

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 the 31 January before the start of the new financial year to which the scheme applies, following consultation with interested groups and individuals. Consultation was undertaken between 21 September and 16 November 2012 and the results will be used in conjunction with the draft scheme to formulate a scheme for the 2013/14 financial year, to be approved by Council before 31 January 2013.

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 approve 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 Cabinet approved a draft local scheme for the borough area for the purposes of consultation at its meeting of 19 September 2012.

2. Issues

- 2.1 Payments made by local authorities under existing Council Tax Benefit regulations are fully funded by central government. Funding for localised schemes will be cut by approximately 10%.
- 2.2 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.

- 2.3 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.
- 2.4 To avoid making cuts in other service provisions to finance the budget shortfall between the existing and proposed schemes, savings need to be made in the amounts of help some claimants receive in the future compared to amounts currently received.

3. **Options Considered**

- 3.1 The previous report considered in detail the options that were examined with regard to introducing a Localised Council Tax Support scheme. In summary, this work was undertaken by a county wide working group which included all the district councils, Stoke-on-Trent City Council, County Council, Police and Fire services. This working group developed a framework of options individual authorities may wish to adopt for their own schemes.
- 3.2 From this framework, officers considered the impact of each option for claimants within the borough area and a draft scheme was established that is believed to offer a package of measures that generate the required budgetary savings whilst impacting as little as possible on claimants. Appendix A shows these proposals, detailing the savings and costs and also the number of claimants affected.
- 3.3 In conjunction with the county wide working group, a series of questions were identified to test opinion around these proposals. Responders were asked to indicate to what extent they agreed or disagreed with each proposal and were given the opportunity to add their own comments if they so wished, by completing a questionnaire. Some responders preferred to restrict their comments to single specific or selected items and did not complete or fully complete a questionnaire but these views will still be considered along side completed versions. Appendix B details the proposals and questions covered on the questionnaire.
- 3.4 Analysis of the consultation responses has been carried out for the Council by the Staffordshire Observatory. A summary of these responses is shown at Appendix C.

4. **Proposal**

- 4.1 Having carried out the consultation exercise, officers now need to examine the draft Localised Council Tax Support scheme in the context of the consultation results and critically examine if or where any adjustments need to be made. This will enable a final scheme to be proposed which will be available for consideration by Cabinet on 16 January 2013 prior to adoption by full Council before 31 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. 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. The Department of Communities and Local Government have now issued a timetable detailing when various regulations will be issued, which runs up until the end of February 2013.

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 amounts outstanding generated by 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 funding under its new burdens scheme for Localised Council Support. Initial payments have already been made to local authorities with further payments, the dates and amounts of which have yet to be confirmed to be made in the future.

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 adopt a Localised Council Tax Support scheme by the 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**

Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

None.

13. **List of Appendices**

Appendix A – Draft Newcastle-under-Lyme Borough Council Tax Support Scheme
Appendix B – Draft scheme proposals and consultation questions
Appendix C – Summary analysis of consultation responses

14. **Previous Reports**

Cabinet 19 September 2012 – Localised Council Tax Support

16. **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/lscvtvulnerablepeople>
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/lscvworkincentives>