

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 approve a Local Council Tax Support Scheme for the borough area for the financial year 2013/14.

Recommendation

That the Local Council Tax Support Scheme for the Newcastle-under-Lyme Borough Council area as detailed is adopted for the financial year 2013/14.

Reasons

The Welfare Reform agenda replaces Council Tax Benefit with 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.

1. Background

- 1.1 Section 13A of the Local Government Finance Act 1992, substituted by section 10 of the Local Government Finance Act 2012 requires each billing authority in England to make a Localised Council Tax Support scheme, specifying the reductions which are to apply to amounts of Council Tax payable by persons or classes of person whom the authority consider are in financial need.
- 1.2 Any scheme needs to be approved before 31 January 2013 or a default scheme prescribed by regulations will be imposed by the Secretary of State for Communities and Local Government.

2. Issues

- 2.1 Payments made by local authorities under Council Tax Benefit regulations were fully funded by central government and paid via the Department of Work and Pensions. Localised Council Tax Support will now be the responsibility of the Department for Communities and Local Government and funding for localised schemes will be cut by approximately 10% of previous budgets.
- 2.2 In 2011/12 £8,348,768, the last full year for which figures are currently available, 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.
- 2.5 Before establishing a local scheme, billing authorities are required to consult with major precepting bodies and other interested organisations and individuals.
- 2.6 At a fairly late stage in the process of drawing up and consulting on a draft localised scheme, the Secretary of State for the Department of Communities and Local Government announced the availability of a one off grant for the financial year 2013/14 for authorities implementing schemes designed to comply with some additional restrictive requirements. This one off grant would be £25,773 for Newcastle individually, £202,885 combined for the billing and major precepting authorities.

3. **Options Considered**

- 3.1 The original intention had been to introduce a common localised support scheme across the whole of Staffordshire. 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.
- 3.2 Unfortunately, the different demographics of the various districts within Staffordshire meant this was not achieved. However, the working group did develop a framework of options for individual authorities to choose those areas best suited to their own requirements.
- 3.3 From this framework, officers considered the impact of each option for claimants within the borough area and a draft scheme was established that was believed to offer a package of measures that generated the required budgetary savings whilst impacting as little as possible on claimants and offering the necessary incentives to encourage claimants back into work. Cabinet approved this draft scheme for consultation purposes at its meeting on 19 September 2012 and formal consultation was undertaken from 21 September 2012 until 16 November 2012.
- 3.4 The announcement of the potential grant was made mid way through this consultation process. In order to qualify for the grant, several further criteria imposed by central government would need to be incorporated within our local scheme and it was felt these would have made our proposed scheme sufficiently different to our draft scheme to require further consultation. The timescales available to do this were considered unreasonably demanding. In addition, the grant only represented approximately a quarter of the budget cut compared to Council Tax Benefit. The remaining shortfall would still require financing from other alternative budget sources.

4. **Proposal**

- 4.1 Results of the consultation exercise confirmed varying levels of agreement with the proposals contained within the draft scheme but each received a majority of responses that did not disagree with them. It was also noted that representation had been made to provide protection to claimants who were eligible to receive War Disablement Pensions, War Widow's Pensions and Armed Forces Compensation Scheme Payments and to designate them a protected group.
- 4.2 At its meeting of the 12 December 2012 Cabinet decided to approve the previous draft scheme, with the addition of the further protected group detailed at 4.1 above as its localised Council Tax Support Scheme for 2013/14. Appendix A is a summary of the claimant types and protection level the scheme will provide.
- 4.3 Since Council Tax Benefit ceases to exist from 1 April 2013, the regulations previously used to administer the scheme will also cease to apply. Central government will continue to regulate in respect of protected groups and where necessary for a default scheme but any new local scheme will require its own set of regulations. These have been developed in accordance with the scheme principles agreed by Cabinet and due to the size of the document are available electronically on the Council's web site at <http://www.newcastle-staffs.gov.uk/ctaxsupport>, together with a copy of our vulnerability document. Several paper copies will also be available in the Members Room.

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 a default scheme, over which it would have no adequate financial control.
- 5.2 The local scheme agreed does not comply with the restrictions required to take advantage of the one off grant available for 2013/14 because there was insufficient time available to develop a compliant scheme and the level of grant available was inadequate to meet other budget restrictions currently faced by the authority.

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 Section 13A of the Local Government Finance Act 1992, substituted by section 10 of the Local Government Finance Act 2012 requires each billing authority in England to make a Localised Council Tax Support scheme.

8. **Equality Impact Assessment**

- 8.1 In designing our Council Tax Support scheme, consideration was 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 has been 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.

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 to be made at least over the next two financial years.

9.4 Central government also belatedly offered a one off additional grant for schemes that fulfilled strict requirements on any reductions applied to an approved Local Council Tax Support Scheme. The scheme to be approved does not qualify for this grant.

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.

10.4 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.

10. **Key Decision Information**

Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Cabinet 19 September 2012:

(a) That the draft Newcastle-under-Lyme Council Tax Support Scheme be approved for consultation purposes.

(b) That the Executive Director – Resources and Support Services be authorised to initiate the statutory consultation process.

12.2 Cabinet 12 December 2012:

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

(b) That it be recommended that protection be drawn into the final scheme regarding protection for recipients of War Disablement Pensions, War Widows Pensions and Armed Forces Compensation Scheme payments

13 **List of Appendices**

Appendix A – Newcastle-under-Lyme Borough Council Tax Support Scheme Summary

15. **Previous Reports**

Cabinet 19 September 2012 – Localised Council Tax Support
Cabinet 12 December 2012 - Localised Council Tax Support Consultation