

**COUNCIL 27 NOVEMBER 2013**

**1. LOCALISED COUNCIL TAX REDUCTION SCHEME**

**Submitted by:** Head of Revenues & Benefits

**Portfolio:** Finance and Resources

**Ward(s) affected:** All

**Purpose of the Report**

To approve a Local Council Tax Reduction Scheme for the borough area for the financial year 2014/15.

**Recommendations**

**That the Local Council Tax Reduction Scheme for the Newcastle-under-Lyme Borough Council area as detailed is adopted for the financial year 2014/15.**

**Reasons**

The Welfare Reform agenda replaced Council Tax Benefit with Localised Council Tax Reduction 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 Reduction 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 by the 31 January before the start of a new financial year or a default scheme prescribed by regulations will be imposed by the Secretary of State for Communities and Local Government. A default scheme would involve expenditure at a higher level than the available central government funding.

**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 to local authorities. Localised Council Tax Reduction has been the responsibility of the Department for Communities and Local Government since April 2013 when funding for localised schemes was cut by approximately 10% of the previous amounts available. Funding levels have been set centrally for the first two years of Council Tax Reduction, so there is no increase in 2014/15 for inflationary factors over and above 2013/14.
- 2.2 In 2011/12, the last full year for which figures were available to make the calculation for the first year of a Localised Council Tax Reduction Scheme, £8,348,768, was paid in Council Tax Benefit to residents of the borough, the cost of which was 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 still stipulate in respect of certain classes of claimant the level of entitlement they should receive. For example, claimants of pension age must continue to receive assistance at the same level under the Localised Council Tax Reduction Scheme to that which they received under the previous Council Tax Benefit scheme. Newcastle has a 51% pensioner caseload meaning the cost of any reductions made within the 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 old Council Tax Benefit scheme and the proposed local scheme, savings were made in the amounts of help some claimants received in 2013/14 and this will need to be continued in 2014/15.
- 2.5 Before establishing a local scheme, billing authorities were required to consult with major precepting bodies and other interested organisations and individuals. If any fundamental changes were to be considered in year two of the local scheme compared to year one, there would be the need for further consultation, either on the change if it were fairly minor or on any proposed new scheme if the changes were complex or wide ranging.
- 2.6 At a fairly late stage in the process of drawing up and consulting on a draft localised scheme for 2013/14, the Secretary of State for the Department of Communities and Local Government announced the availability of a one off grant for that financial year only. This was for authorities implementing schemes designed to comply with some additional restrictive requirements. This authority did not avail itself of the grant at that time because of the difficulties it would have created with the consultation process which was already underway at the time of the announcement of the grant and the further budget restrictions it would have created for any qualifying proposed scheme. Central government are currently resolute in that there will be no additional funding available in year two of the local schemes. However, the whole Welfare Reform agenda is an evolving situation and there have been several amendments to plans in other areas in recent months. This Council meeting is the last scheduled meeting to obtain approval for a local scheme for 2014/15. Should there be any material announcements around this subject area following this meeting, in consultation with the portfolio holders, there would be the opportunity to convene a further special meeting prior to the 31 January deadline if required to further review the position.

### 3. **Options Considered**

- 3.1 You will recall that as far as possible the original intention had been to introduce a common reduction scheme across the whole of Staffordshire including Stoke-on-Trent. Unfortunately, the different demographics of the various city and district councils meant this was not achieved. However, a framework of options for individual authorities to choose those areas best suited to their own requirements was devised.

- 3.2 From this framework, officers considered the impact of each option for claimants within the borough area and a scheme was established that offered 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.
- 3.3 In considering a scheme for the 2014/15 financial year the Council is able to continue with a similar scheme to 2013/14, to modify it by either relaxing some of the qualifying criteria or introducing further restrictions on entitlement. Finally, the Council could consider adopting the central government default scheme but this option would be at significant extra cost because it would not recoup any of the 10% cut in central government funding.

#### 4. **Proposal**

- 4.1 At the time of compiling this report, Council Tax Reduction had been operational for just over six months. Expenditure was running at 95% of anticipated maximum capacity. In such a short timescale it is difficult to form any firm conclusions and any conclusions that can be drawn would obviously not currently reflect any normal seasonal variations in claimant demand.
- 4.2 The scheme approved for 2013/14 was based on sound principles following analysis of previously held Council Tax Benefit data and an extensive consultation exercise around exactly what was possible within the financial limits available.
- 4.3 Elements of assessment criteria are based around central government applicable amounts. Applicable amounts are elements of benefit entitlement to cover various specific claimant circumstances based on essential core needs. These are normally linked to increases in the Consumer Price Index but are currently limited to 1%.
- 4.4 The proposal for 2014/15 would therefore be to continue with the 2013/14 scheme with the updated applicable amounts. The outline of the proposed 2014/15 scheme is shown at Appendix A to this report.

#### 5. **Reasons for the Preferred Solution**

- 5.1 To make fundamental changes to the scheme would entail further consultation. The extent of any further consultation would be a judgement call based to the level of change anticipated. In conjunction with other Staffordshire authorities, legal opinion has been sought that the proposal at 4.4 above would not need any further consultation.
- 5.2 Based on information currently available, the modest increase in applicable amounts would still be affordable within the financial constraints of reduced central government funding and current claimant levels.
- 5.3 Whilst representing a significant change for many claimants, the introduction of Council Tax Reduction has not seen the widespread challenges to its introduction that were anticipated. Many claimants have pro-actively adjusted their circumstances by entering in payment arrangements to cover any shortfall in assistance to that previously given. Obviously, there have been increases in claimant contact to facilitate this but with sympathetic treatment, the majority of people are aware of the wider welfare reform agenda and are attempting to adapt. For those who have some underlying grievance, there are two appeal routes available, these are by the Tribunal Service where a claimant thinks an assessment has been made contrary to the adopted scheme regulations and through the courts by means of judicial review where a claimant believes the scheme is incorrect in some material way. So far, only one claimant is challenging the 2013/14 scheme and this is via the Tribunal Service route. This is in line with previous appeals traffic considered under Council Tax Benefit

regulations which would indicate there are no major points of concern with the 2013/14 scheme within the environment claimants now find themselves.

- 5.4 The statistical information available to date does not indicate the need to make any significant alterations to the 2013/14 scheme. The scheme is within budget and is running at a capacity that still provides a small margin of resilience.
- 5.5 Continuing with a basically unaltered local Council Tax Reduction Scheme for 2014/15 enables a degree of stability for claimants in what is very much a changing environment for the wider welfare reform agenda.
- 5.6 Central government funding constraints do not allow for any relaxation in the sums available for Council Tax Reduction for 2014/15. The funding situation for 2015/16 is currently unknown. When these details do become known, a better picture will emerge on any changes that will then be required. It is worth noting that future funding is unlikely to become more generous than that currently available. This may mean further constraints on entitlement levels.

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

- 6.1 A Localised Council Tax Support Scheme contributes 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 identified any adverse implications for particular groups. It was recognised that the introduction of the Council Tax Reduction Scheme would have an impact on some of the most vulnerable households in the district. This impact continues to be monitored.

## 9. **Financial and Resource Implications**

- 9.1 Localised Council Tax Support is treated as a discount on the Council Tax bill, much like Single Persons Discounts. This means that the Council Tax base will be smaller than would otherwise be the case. 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 received under previous Council Tax Benefit regulations.

- 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 more small value bills needing to be administered, resulting in additional pressures on the Revenues and Benefits Section. So far, this has manifested itself by way of increased claimant contact. Significant recovery measures have not so far been considered for the majority of claimants but this is likely to impact over the next few months.
- 9.3 Central government have provided funding under its new burdens scheme for Localised Council Support. Payments have already been made to local authorities and will continue over the first two financial years of Council Tax Reduction Schemes.
- 9.4 There are no plans for central government to repeat the grant offered for 2013/14 to approve a Local Council Tax Reduction Scheme which was compliant with Department of Communities and Local Government restrictions on where budget savings could be made.

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 Failure to adopt a Localised Council Tax Support scheme by the 31 January 2014 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 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.
- 12.3 Council 23 January 2013:

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.

13. **Recommendations**

13.1 That the Local Council Tax Support Scheme for the Newcastle-under-Lyme Borough Council area as detailed is adopted for the financial year 2014/15.

14. **List of Appendices**

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

15. **Previous Reports**

15.1 Cabinet 19 September 2012 – Localised Council Tax Support

15.2 Cabinet 12 December 2012 - Localised Council Tax Support Consultation

15.3 Council 23 January 2013 – Localised Council Tax Reduction Scheme