

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director Support Services

to

Council

on

13 December 2012

Report prepared by: Veronica Dewsbury Benefits Manager

Local Council Tax Support Scheme

Economic & Environmental Scrutiny Committee
Executive Councillor: Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

To adopt the Local Council Tax Support Scheme (LCTSS) for Southend-on-Sea Borough Council.

2. Recommendations

2.1 To adopt the Local Council Tax Support Scheme for Southend-on-Sea Borough Council.

2.2 To note the proposed scheme delivers a cost neutral scheme, passing the impact of the reduced funding available onto working age claimants with only pensioners being protected.

2.5 To note the key dates of;

- December 2012 Local Council Tax Support Scheme adopted by full Council.
- January to February 2012 Scheme Implemented.
- April 2013 Scheme goes live.

3 Background

3.1 In the Government's Spending Review 2010, as part of its overall package of Welfare Reform, it announced a new "localised" approach to the provision of financial help to council tax payers. Under the Local Government Finance Act 2012, Council Tax Benefit, the current means of providing such help is to be abolished from April 2013 and from that date, in its place, local authorities are required to introduce schemes of their own called Council Tax Support (CTS).

- 3.2 The Government also announced funding changes to take effect when CTS is introduced. Under the current Council Tax Benefit system, the cost of providing the benefit to those who are entitled to it is paid for by the Government, although the scheme itself is administered by local authorities. The Government will not, however, fund CTS in the same way. Instead, it has decided that it will nationally provide a grant of only 90% of the funding which it currently provides for Council Tax Benefit. In other words, there will be 10% less Government funding for CTS in April 2013 than there is for Council Tax Benefit in 2012. Historically, there has been no “cap” on CTB expenditure. Based on latest guidance from DCLG it may not be just 10% reduced off actual expenditure but rather a national ‘share’ calculated by statistics provided by the Office of Budget Responsibility, and therefore locally the grant received is likely to be less than 90% of current funding.
- 3.3 Additionally, this funding is fixed so the financial risk of an increasing caseload lies with the Council. This is a particular problem given that the change from a benefit to a discount is likely to encourage some people to claim who had been put off by the stigma previously and of course any worsening in the state of the economy could also see claimants increase. The level of CTS grant for Southend-on-Sea is expected to be announced as part of the provisional financial settlement understood to be due on 19 December 2012.

4 Local Council Tax Support Scheme for Southend-on-Sea Borough Council

- 4.1 The proposed Local Council Tax Support Scheme for Southend-on-Sea Borough Council is at Appendix 1.
- 4.2 The scheme has been drawn up on the basis that it is cost neutral on the Council’s budgetary position, and that therefore the financial impact of the reduced funding available is passed onto working age claimants: the Government does not allow changes to be made to the level of benefit available to claimants of pensionable age – they are fully protected at present.
- 4.3 That full protection for those of pensionable age obviously leads to a disproportionate impact on working age claimants. To achieve a cost neutral scheme, the proposed scheme will principally reduce benefits paid to working age claimants by 25%.
- 4.4 The Council has been working closely with all other Essex authorities to introduce a standardised and consistent scheme. All Essex billing authorities expect to adopt the following items in their schemes:
- Design a cost neutral scheme that passes the cut in funding to working age claimants
 - All pensioners will be treated as a class that is protected from the changes, so all changes will be for working age only
 - The Local Support scheme will be “means tested” for 2013/14, using a lot of the principles of the current Council Tax Benefit scheme
 - Restriction of support to a maximum liability, either by restriction to a specific council tax banding and/or a % restriction of liability with variations in different Essex authorities.

- The current Second Adult Rebate scheme will not be treated as a class of eligible claimants for working age claims
 - To reduce the capital (cut off) limit from £16,000 to £6,000.
 - Minor changes to treatment of “changes of circumstances” after the award of support to remove the requirement to calculate and award ‘underlying entitlement’ when overpayments occur.
 - The billing authority to make available a small sum to cover ‘exceptional hardship cases’.
- 4.5 The most significant change proposed is to restrict the support to a maximum 75% (i.e. a reduction of 25%) of liability for working age claimants. Currently there is no restriction, and liability can be reduced to zero.
- 4.6 **Council is asked to adopt the Local Council Tax Support Scheme set out in appendix 1.**

5 Consultation

- 5.1 As required, the proposed local scheme has been the subject of a consultation exercise over the summer. The full results of the Consultation are at Appendix 2. Of the responses received, there was broad backing for the proposed local scheme.
- 5.2 The proposed local scheme has also been to pre-Scrutiny, Cabinet and Scrutiny, where once again there was acceptance of the need to have a cost-neutral scheme, and therefore broad acceptance of the need to pass on the impact of the funding reduction onto working age claimants.

6 Conditional Transitional Grant Offer

- 6.1 The Department for Communities and Local Government belated has made available an additional £100m for one year only to support local authorities in developing well-designed council tax support schemes and maintain positive incentives to work. The additional conditional funding offered to Southend is £301,147.
- 6.2 The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by Government to ensure that low income households do not face a large increase in their council tax liability in 2013 -14.
- 6.3 In order to qualify for the funding local authorities must not increase any households’ liability by more than 8.5%. After applying the 8.5% reduction no further changes to the council tax benefit scheme, to increase the overall saving, could be implemented. This therefore would not deliver a cost neutral scheme and the local authority would have to identify alternative funds to cover the shortfall of circa £1.2 million. For this reason Cabinet have agreed that the offer is formally rejected.

7 Next Steps

- 7.1 Under the arrangements for the Localisation of Council Tax Benefit, the new local scheme is defined as a discount on Council Tax, and therefore has the effect of reducing the Council Tax Base. Following adoption of the scheme by full Council, the impact on the Council Tax Base will then be estimated and set.
- 7.2 Work will also begin to implement the new scheme in readiness for Council Tax Billing following the setting of the 2013/14 Budget and Council Tax at full Council's next meeting of 28 February 2013

8 Corporate Implications

8.1 Contribution to Council's Vision & Corporate Priorities

The introduction of a cost neutral LCTTS will assist with maintaining a robust budget. It will also provide work incentives for residents who have been long term unemployed. The scheme will protect pensioners to ensure a decent living standard and it also confirms the disregard of disability benefits.

8.2 Financial Implications

Implementation costs: The Government has provided an initial grant of £84,000 and has indicated that additional funding will be made available. It is anticipated that the implementation costs will be met from this Government funding but there may be a need to supplement this due to the cost of software changes.

Abolition of Council Tax Benefit: Around £14m of expenditure and £14m of subsidy income will be deleted from the Council's budget from 2013/14. An earmarked reserve is held in case of subsidy being clawed back by DWP, for example, if the external audit process identifies errors in the final claim for 2012/13.

Impact of new LCTS scheme: The scheme is being designed to achieve "cost neutrality" – defined as being that there will be reductions in the amount of financial support given to local people sufficient to cover the cut in Government funding. Put another way, the estimated cost of LCTS should be in line with the Government funding being made available. The provisional figures have been announced and amount to a 12% cut compared with current spending levels. It is higher than 10% because the Government has based its calculations on a notional future measure of expenditure that includes inflation. The final figures will be confirmed in December 2012. To be truly cost neutral the savings need to be higher to cover amounts not collected.

The costs of LCTS and the Government funding for the scheme will be borne by the major precepting authorities in proportion to their precept size: currently Police 10.1%, Fire 5.03%, SBC 84.71%.

The reduced funding can only be passed on to working age claimants, currently some 60% of claimants. This implies a reduction in support of 25% to achieve a cost neutral scheme.

LCTS treated as a discount: LCTS will be treated as a discount on the Council Tax bill, much like Single Persons Discounts. This means that the taxbase will be smaller. In order to avoid significant increases in the Band D figure arising from having a smaller taxbase, the Government funding will be treated as income that reduces the Council's bottom line, and therefore, reduces the amount to be raised from Council Tax.

Demand risk: The Government grant will be a fixed sum. There is a possibility that demand and eligibility for financial support under the LCTS may be greater than current levels, particularly if economic conditions worsen. The cost of additional discounts would be borne in proportion by the major precepting authorities (SBC, Police, Fire). Conversely if demand falls (e.g. if economic conditions improve), the additional saving would be realised by the same authorities. Thus the local authority has direct financial incentives to support their local economy.

Inflation risk: Council Tax freezes have operated in the last two years (apart from Police and Parishes). There is a risk therefore that if Council Tax is increased by SBC, Police or Fire, then the cost of LCTS will increase. An exercise will be needed to estimate the additional net income that would arise from a Council Tax increase – an assumed 2% has been used in modelling to date; the cost of LCTS and collectability losses will need to be borne in mind.

Recovery costs: as a result of people on low incomes having to pay more Council Tax (in many cases, such people currently pay no Council Tax), the Council may need additional staffing resources in its revenues team; work is being undertaken to estimate additional costs.

Recovery risk: Notwithstanding the additional recovery resources, it is anticipated that a proportion of newly collectible Council Tax will prove to be irrecoverable because of inability to pay.

Exceptional circumstances fund: It is inevitable that there will be a small number of households with unforeseeable exceptional circumstances and that the Council may wish to retain discretion to provide additional support to such people, analogous to Discretionary Housing Payments. Details of how such a fund would operate need further work.

8.3 Legal Implications

During the transitional period moving from housing benefit to universal credit (2013 to 2017) we will be running 2 completely separate schemes with differing Appeal routes. Housing Benefit cases will continue to be heard by the Appeals Tribunal while Council Tax Support Appeals will be heard by the Valuation Tribunal. As they are different schemes findings from the Tribunals could differ for the same case.

The scheme of delegation will need to be amended to cover the new Local Council Tax Support Scheme

8.4 People Implications

Some residents who have not paid Council Tax before will now have to contribute. Those potentially affected by this change have been written to and further details will be sent to them as the scheme is agreed.

8.5 Property Implications

There are no specific property implications associated with this report.

8.6 Consultation

Before final approval of local schemes, Councils are required to consult:

Major precepting authorities (Police & Fire) – complete.

The public – complete.

Relevant stakeholder groups e.g. Citizens Advice Bureau, voluntary bodies – complete.

The public consultation process was completed in September; a six week response period was adopted to ensure responses could be considered before the final recommendations were presented as part of the Cabinet report and for Council in December 2012.

Results of the consultation exercise are set out at Appendix 2.

Pre cabinet scrutiny feedback was supportive of both a cost neutral scheme and the details proposed to deliver the scheme.

The report has been approved by Cabinet.

The report was called into scrutiny with no resulting issues.

8.7 Equalities and Diversity Implications

An Equality impact assessment, set out in Appendix 3 has been developed for all adopted changes.

8.8 Risk Assessment

Risk	Likelihood	Impact	Mitigating actions
Failure to adopt a local scheme in time, which would lead to the Government imposing a default scheme	1 Active project management in place	4 An imposed default scheme would not be cost neutral and failure would be damage to the Council's reputation	Continue with active project management Proactive resource planning Ensure Member awareness of key issues and timely decisions made

The Southend scheme is not supported by the Police and Fire Authorities	2 Positive engagement with Fire and Police has taken place and they are supportive of the work done to date	3 SBC is the decision making body but if the scheme is not supported then there could be consequences e.g. challenge, lack of support and budget cuts affecting Southend	Design a cost neutral scheme. Consultation and engagement
Challenge on equality grounds	2 The proposals adversely affect certain groups i.e. non-vulnerable working age people in receipt of CTB	3 Defending a challenge could be costly and jeopardise timely adoption of the scheme	Equalities Impact Assessment Stakeholder engagement Set aside funding for a discretionary hardship fund to cover exceptional circumstances
LCTS costs increase because of additional demand or increases in council tax precepts	3 Publicity could increase demand; economic difficulties could increase demand; precepts likely to increase in the future	2 Adverse financial implications for SBC, Police, Fire	Close monitoring Annual review of the scheme
Loss of revenue due to irrevocability of debt from low-income households	4 Bad debts are inevitable	2 Adverse financial implications for SBC, Police, Fire	Proactive communications with affected households Invest in recovery resources; review procedures Seek funding contributions from, Police, Fire Increase reductions to cover non collection. Set aside funding for a discretionary scheme

8.9 Value for Money

The recommendations in this report will pass the Government funding reductions onto benefit claimants and not contribute to an increase in Council Tax generally.

8.10 Community Safety Implications

There are no specific community safety issues identified.

8.11 Environmental Impact

The scheme described in this report is part of a package of welfare reforms designed to contribute to an overall incentive to work and contribute to the economic environment.

9 Background Papers

Central Government Consultation Papers

www.communities.gov.uk/publications/localgovernment/localisingcounciltaxconsult

www.communities.gov.uk/documents/localgovernment/pdf/2053712.pdf

www.communities.gov.uk/documents/localgovernment/pdf/2158675.pdf

www.communities.gov.uk/documents/localgovernment/pdf/2146648.pdf

10 Appendices

Appendix 1 – Local Council Tax Support Scheme

Appendix 2 – Consultation Results

Appendix 3 – Equality Impact Assessment