

COUNCIL

13th December 2012

REPORT OF THE PORTFOLIO HOLDER FOR CORE SERVICES AND ASSETS PROPOSED LOCALISING SUPPORT FOR COUNCIL TAX SCHEME FOLLOWING CONSULTATION RESPONSES

EXEMPT INFORMATION

This proposal is not exempt information for the purposes of Part 1 of Schedule 12 (A) to the Local Government Act 1972

PURPOSE

For Council to consider;

The proposed Local Council Tax Support Scheme for Tamworth from 1st April 2013. Options for the scheme were presented to Cabinet on 25th July, and on 15th August 2012 Cabinet chose the preferred option. Cabinet then endorsed this scheme on 28th November 2012. It must now be considered at full Council as the final scheme must have Council approval.

RECOMMENDATIONS

That Council endorse the proposed Local Council Tax Support scheme, having given consideration to the Localisation of Council Tax Consultation Final Report – **Appendix 1**, the estimated grant reduction figures – **Appendix 2** and the Equality Impact Assessment for this option – **Appendix 3**.

EXECUTIVE SUMMARY

This report details the key issues arising from the Local Support for Council Tax Scheme.

The Welfare Reform Act 2012 confirmed that Council Tax Benefit will be abolished from 1 April 2013, to be replaced by a new Localised Council Tax Support scheme. Grant funding will be reduced by 10% and distributed via the Department for Communities and Local Government rather than by the Department for Work and Pensions. The proposed scheme aims to deliver the required reduction in Council Tax benefit costs without being a cost to the General Fund or Preceptors – estimated at c. £700k.

The Government have specified that Pensioners must be protected from any grant cuts. Accordingly, regulations that mirror the current *Council Tax Benefit (Persons who have attained the qualifying age for state pension credit) 2006* will be devised for Pensioners, which must be adhered to. For Working Age customers, Councils are free to decide their schemes, which will be subject to an overall 10% reduction in grant funding currently received.

The Authority has worked closely with all other Staffordshire District Councils, Staffordshire County Council and the Fire Authority, to design an over arching scheme. Local considerations were then also separately made by each Authority to achieve the savings requirements, based on each area's demographic make up and budgetary restrictions.

Options were presented to Cabinet on 25th July 2012 on how to deliver the reduced benefit cost from current Council Tax Benefit expenditure for working age customers in line with legislative requirements. Full Equality Impact Assessments were given for each option. On 15th August 2012, Cabinet's preferred option for a Local Council Tax Support scheme was decided, taking into account the grant cuts being imposed from 1st April 2013.

Consultation Responses

An eight week consultation period then commenced with the public, focus groups and all other stakeholders to gauge views about the proposals. A total of 10 drop in events were held, both with the public and various groups. The drop in sessions attracted almost 800 visitors. Every benefit customer (totalling in excess of 7300 claimants at the time) was also sent a consultation questionnaire along with a consultation leaflet which explained that Council Tax Benefit is being abolished and encouraging them to give their views on its proposed replacement in Tamworth.

- ❖ 828 responses were received, which is a statistically robust number. This represents 1.075% of Tamworth's population, which compares favourably to the response rate of all other Staffordshire Local Authorities of between 0.3% and 0.6% of their residents/groups.
- ❖ The degree of endorsement for the proposals was varied, with most support being received for Proposal 9, which provides continued protection for those entitled to a Severe Disability Premium. Least support was received to Proposal 4 under which the Second Adult Rebate would be removed and those of a working age would be responsible for paying 100% of their Council Tax bill. There was a high level of support for five out of the ten proposals as outlined below:

High level of support

- Level of support for pensioners, severely disabled and in receipt of a Severe Disability Premium, claimants with disabled children and claimants receiving a War Pension (Proposal 1);
- Continuing to disregard childcare costs (Proposal 5);
- Claimants and the level of savings allowed (Proposal 6);
- Continuing to exclude Child Benefit payments (Proposal 7);
- Continuing to protect those claiming a Severe Disability Premium (Proposal 9).

There was a moderate level of support for the remaining five of the ten proposals as outlined below;

Moderate level of support

- calculation of support based on 75% of Council Tax liability rather than 100%, meaning everyone who is not proposed to be protected from any reductions has to pay at least 25% of their Council Tax liability (Proposal 2);
- limit the calculation of support to no more than 75% of Band D liability (Proposal 3);
- removal of Second Adult Rebate for all working age customers (Proposal 4);
- inclusion of maintenance payments as income (Proposal 8);
- increased non dependant charges of £5 per week (currently £3.30 pw) and £10 per week (currently £6.55 - £9.90 pw, depending on gross pay received).

Please refer to **Appendix 1** – Localisation of Council Tax Consultation Final Report for full details of the consultation responses

RESOURCE IMPLICATIONS

The proposed scheme has been modelled on delivering an estimated benefit reduction in the region of £700k.

Based on recent caseload, the proposed scheme would deliver estimated benefit reductions of £718k (**Appendix 2**).

CONCLUSIONS

Proposed Local Council Tax Support Scheme

The scheme as endorsed for consultation (Cabinet 15th August 2012) delivers the estimated grant reduction- **Appendix 2**, required under the new Local Council Tax Support Scheme (10 % reduction on previous grant payments).

The results of the consultation are detailed in the Localisation of Council Tax Consultation Final Report – **Appendix 1**. There are no material implications raised following the consultation – as detailed above (Executive Summary), if the proposed scheme is endorsed without further amendment.

LEGAL/RISK IMPLICATIONS

Full Equality Impact Assessments were considered and taken into account when the scheme proposals were drafted. **Appendix 3** gives details of the Equality Impact Assessment made prior to it being chosen as the preferred option, and prior to consultation.

If the Authority's Local Support to Council Tax Scheme is not endorsed or in place by the 31st January 2013 then the default scheme will have to be applied. The implementation of a default scheme would result in the Authority having to implement the existing scheme, financing the 10% reduction and suffering additional benefit cost in 2013 /14 (onwards) as the existing benefit limits may be up-lifted by inflation.

SUSTAINABILITY IMPLICATIONS

Funding for the replacement of the current Council Tax Benefit scheme will be changed from Annual Managed Expenditure (unrestricted reimbursement of Council Tax Benefit subsidy) to Departmental Expenditure Limit (restricted, pre allocated grant figure). The Council must be aware that there will be little room for contingency if, for instance, a major local employer goes into administration.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

Cabinet Report / Slides – Cabinet 15th August 2012
Draft Vulnerability Policy
Draft Summary Local Council Tax Support Policy

Appendices

Localisation of Council Tax Consultation Final Report – **Appendix 1**
Estimated grant reduction figures – **Appendix 2**
Equality Impact Assessment for the chosen option – **Appendix 3**
Table of estimated weekly £ extra to pay based on proposed scheme – **Appendix 4**

BACKGROUND INFORMATION

Council Tax Local Support Scheme Proposals 2013/14 (onwards)

The Government is committed to retaining Council Tax Support for the most vulnerable in society and taking forward plans for Councils to develop local Council Tax reduction schemes. The Welfare Reform Act 2012 contains provisions for the abolition of Council Tax Benefit, paving the way for new localised schemes. On 17th May 2012, *Localising Support for Council Tax – A Statement of Intent* was published.

The Statement of Intent sets out policy statements of intent for the regulations to be provided under the Local Government Finance Bill for England and explains the policy intent of the regulations and how they will enable the delivery of local Council Tax support. The document is specific in the rules for pensioners but has given Local Authorities little direction regarding policy for Working Age customers.

Consideration of the Department for Communities and Local Government policy intention document - *Localising Support for Council Tax Vulnerable people – key Local Authority Duties* was also made when devising the proposed Local Council Tax Support scheme.

Localising Support for Council Tax – Funding Arrangements Consultation gave details of how funding for a Council Tax reduction scheme will be reduced from 2013 onwards. Accordingly, regard for these budgetary cuts must also influence the design of a Local Council Tax Support scheme.

Localising Support for Council Tax - Taking Work Incentives into Account was also considered when drafting the policy.

If Councils do not have a local scheme in place by 31st January 2013, the Government will impose a 'default scheme' which is the current Council Tax Benefit scheme. This option is not sustainable as the current scheme is fully subsidised by the Department for Work and Pensions, regardless of caseload and any new scheme will have a fixed annual grant *only* which will be at least 10% less than it is now.

The results of the consultation have not identified any requirement to make any changes to the scheme. Cabinet have recommended that the scheme as consulted should be endorsed as the Authorities response to achieving the required reduction in Council Tax Support (namely 10% reduction) as required by legislation without imposing a further burden on the General Fund Budget 2013 / 14.

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