

EXETER CITY COUNCIL

EXECUTIVE
3 APRIL 2012

THE LOCALISED COUNCIL TAX SUPPORT SCHEME

1. PURPOSE OF THE REPORT

- 1.1 To brief Members on the localised council tax support scheme.
- 1.2 To highlight the issues that will need to be considered, and the decisions that will need to be made, during the next 9 months.

2. BACKGROUND

- 2.1 Council Tax Benefit (CTB) is a means tested benefit, which, when awarded, reduces the applicant's Council Tax bill. It has been administered by local authorities (along with a housing benefit scheme), since the introduction of Council Tax in 1993. The purpose was to assist those on low income to pay their Council Tax, and Councils have administered the scheme in accordance with national legislation, under the direction of the Department for Works and Pensions (DWP).
- 2.2 In November 2010 the Government announced a spending review, which in turn included a major overhaul of the current benefit system (Welfare Reform). Part of this reform included the introduction of Universal Credit and the abolition of Council Tax Benefit (CTB). The latter will be replaced by a local council tax rebate scheme (CTR), which will also generate a 10% saving on "rebate" given to customers, compared to CTB awarded previously. Historically there has been no "cap" on CTB expenditure.
- 2.3 In the autumn of last year the Government consulted on proposals for localisation of support for Council Tax. It has since confirmed its commitment that localisation is the most effective means of ensuring sufficient local flexibility to secure planned reduction in expenditure.

3. PRINCIPLES OF THE LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME

- 3.1 Help with Council Tax will be a local authority responsibility and will not become part of Universal Credit.
- 3.2 Local authorities will receive a budget for the new system based on 10% less than current spending on CTB.
- 3.3 Support for pensioners will not be affected by this cut in spending and will remain at existing levels with existing rules. The cut will therefore need to come from working age claims.
- 3.4 Local authorities will be free to establish, subject to any restrictions set by government, whatever rules they choose for their schemes for working age people, and will administer the scheme for pensioners using national rules.
- 3.5 Central government will provide a fixed amount of money to local authorities to operate their new schemes. Unlike current arrangements, this grant will not be ring-fenced and will not vary according to demand. Local authorities will be able to keep any under spend, but will have to fund any over spend themselves.

- 3.6 The vulnerable must be protected (being mindful of the Child Poverty Act 2010, the Disabled Persons Act 1986, the Chronically Sick and Disabled Persons Act 1970 and the Housing Act 1996).
- 3.7 There is a requirement to meet Section 149 of the Equality Act 2010.
- 3.8 The new system must be in place by April 2013 with the expectation that the scheme should support the positive work incentives being introduced through plans for Universal Credit for people of working age.

4. ESTABLISHING A LOCAL SCHEME

- 4.1 It is intended that support for council tax will become fully integrated into the council tax system, with support being offered as a reduction on council tax bills. It will no longer be a “benefit” subject to Social Security Legislation.
- 4.2 Billing authorities will be the default lead authority for council tax support schemes, but they can collaborate with other local authorities to develop schemes together.
- 4.3 The grant will be paid to the billing and major precepting authorities in proportion to their previous shares of expenditure and so reducing each authority’s council tax requirement.
- 4.4 Billing authorities will be required to develop a scheme which will set out the categories of claimants entitled to a council tax reduction, and the amount of reduction that applies to each category. The Secretary of State will also have the power to prescribe categories of persons who must be included in the scheme, and the reductions which must apply to them (centralised – and only for pensioners).
- 4.5 The local authority will need to set out the application process, appeals process and council tax reduction offered by the scheme.
- 4.6 The local authority is required to consult on the scheme with the major precepting authorities before a scheme is designed. They will then need to consult with the public and other agents once the scheme has been established.
- 4.7 Local authorities will be able to revise schemes between years and able to make transitional provisions as they see fit.
- 4.8 Where demand for support increases or falls below local forecasts, billing authorities will collect less or more council tax than had been estimated at the start of the financial year. This will result in a deficit or surplus in the collection fund. This deficit or surplus should be shared between the billing authority and major precepting authorities at the beginning of the following financial year, but the Government is looking at the possibility of varying the precept payments to major precepting authorities. This would protect small billing authorities from the financial pressure of funding the whole of any shortfall.
- 4.9 The Government is still considering the options for distributing grants for the first two years of the scheme. Initially these will be set on an annual basis but may move to a multi year allocation in the next Comprehensive Spending Review period.

5. WHAT DEVON AUTHORITIES HAVE AGREED AT OFFICER LEVEL SO FAR

- 5.1 A group has formed (Devon Benefit Officers Group) comprising of officers from all the Devon District and Unitary authorities and Devon County Council.

- 5.2 There is a collective agreement that all Devon authorities want a single shared scheme, working from the principle of cost neutral i.e. to look to save the 10% reduction in grant by reducing the amount of council tax support for working age customers.
- 5.3 To use a Project Lead facility to provide project management resources, with the cost of this being shared between the Unitary and District Councils, Devon County Council, Police and Fire Authorities.
- 5.4 If possible, to agree a Devon wide definition of vulnerable and consider how the scheme can build in vulnerability roles while also making it possible to make local discretionary decisions.
- 5.5 To give serious consideration to using the same application process and evidence verification.
- 5.6 To give serious consideration to sharing publicity and forms to save money and time.

6. TIMEFRAME

- 6.1 The LCTS scheme must be finalised by 31.01.03 at the latest. Failure to provide a scheme by this date will trigger a default scheme imposed by the Government. In reality, our scheme needs to be ready by December 2012 to ensure adequate time for software testing and that annual billing is undertaken in a timely manner.
- 6.2 The regulations for the new LCTS scheme will not be available until May/June and they will be minimal compared to CTB.
- 6.3 A timeline schedule is set out in appendix A and covers the major factors.

7. FINANCIAL IMPLICATIONS

- 7.1 The information below will give an overview of likely impact on the number of customers who could be affected, and the financial implication of the reduction of 10%.
- 7.2 Current total CTB caseload = 9,876 of which 4,501 are pension age (46%) and 5,375 are working age (54%).
Current total CTB expenditure = £7,960,062 of which £3,767,215 is pension age (47%) and £4,192,846 is working age (53%).
Total annual CTB cost less value of the 10% reduction is £7,164,056 of which if £3,767,215 is for pensioner age, leaves £3,396,841 for working age.
Therefore the average % cut for working age is 19%.
- 7.3 It is important to note that these figures take no account of potential increase in pension age caseload (who will have to be protected), and potential increase in council tax.
- 7.4 The potential loss of income from the Devon economy is shown in Appendix B.

8. POTENTIAL EFFECT ON WORKING AGE CUSTOMERS AND COLLECTION

- 8.1 Customers who may up to now have received 100% CTB, may face having to pay Council Tax for the first time. The majority of customers getting CTB are in properties in Band A or B. With a potential 19% cut for working age, someone receiving 100% CTB now may only get a maximum of 81% in council tax support. This equates to having to pay £15.56 per month in Council Tax for Band A and £18.16 per month in Band B based on 2012-13 Council Tax charges.

- 8.2 For single occupiers that equates to £11.67 in Band A and £13.62 in Band B.
- 8.3 These are substantial sums to those on low incomes and again it needs to be pointed out that these figures are with nobody else, apart from pension age being protected, no increase in Council Tax, no caseload increase and no pension age increase.
- 8.4 There could therefore be an effect on Council Tax collection and an increased need for resources in recovery sections. Small amounts can be difficult to collect, even more so from people with very little, if any, disposable income.
- 8.5 Could have more customers getting into debt.

9. MAJOR CONSIDERATIONS AND DECISIONS TO BE MADE

- 9.1 Throughout 2012 decisions will need to be made about a number of issues in relation to this scheme. An Equality Impact Assessment will be undertaken as part of this project, and key risks have been set out in a risk register. New policies and procedures will need to be designed and implemented and there may be staffing issues due to the change in nature of the work.
- 9.2 Other Government changes, due to be implemented at the same time as part of Welfare reform, will also have an impact.
- 9.3 The table below sets out the decisions that will need to be made and the timeframe.

Who	Decision in relation to	Date to be decided
Officer/precepting authorities	Consultation Liaison and agreements	Prior to scheme design
Officers/Members	Vulnerable groups	Prior to scheme design confirmed – 30 June 2012
Officers/Members	Financial Impacts and related financial matters	Prior to scheme design confirmed – 30 September 2012
Members	Political consultation, liaison and agreement of Final Scheme	30 September 2012
Officers/Members	Staffing requirements	31 October 2012
Officers/Members	ICT	February 2012 – February 2013
Officers/Members	Documentation	31 December 2012
Officers/Members	Policies and Procedures	28 February 2013
Officers/Members	Appeals	28 February 2013
Officers/Members	Fraud	30 September 2012
Officers/Members	CTB Legacy	April 2013

10. OTHER CONSIDERATIONS

- 10.1 The council must deliver a scheme by December 2012 to ensure that a default scheme is not imposed. Any delay could cause annual billing to be delayed resulting in an initial loss of cash flow in to the Council.
- 10.2 There is a requirement to meet section 149 of the Equality Act 2010, therefore running out of money (and so not awarding) is not an option.
- 10.3 Every Authorities scheme of delegation or constitution will need amending to include S13A of the Local Government Finance Act.

- 10.4 All local authorities must have a robust scheme as the whole scheme could be open to challenge.
- 10.5 In the first year, the scheme design will be dictated to a great extent by what our software provider, Capita, can give us in such a short timescale. They have agreed to provide initial information in April.
- 10.6 Funding for setting up the scheme is only likely to be made available in the first year, however significant software changes are more likely to be needed from year two, so this must be catered for in any application for funding in year one.

11. RECOMMENDATION

- 11.1 That Executive consider the contents of this report.
- 11.2 That Executive familiarise themselves with the list of key points for decision making this year, with a view to being prepared when decisions need to be made.

ASSISTANT DIRECTOR FINANCE

OFFICE OF ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None

APPENDIX A

Time line for implementation of major tasks in relation to localised council tax support

Task	Start	Complete
Designing a local scheme (Central & Local Government begin work on model schemes)	January 2012	September 2012
Consultation <ul style="list-style-type: none"> • County, Police, Fire • Public • Revisions to scheme following consultation 	February 2012	September 2012
Financial Impacts	February 2012	June 2012
Members political agreement of the scheme	March 2012	30 September 2012
IT	March 2012	February 2013
Software suppliers to provide details of what changes they propose to make to software in order to achieve 10% saving and with the facility to protect pensioners and other vulnerable groups		Capita have confirmed April 2012 at the latest
Scheme decision	April 2012	December 2012
<ul style="list-style-type: none"> • Primary legislation in passage through Parliament • Government preparing and consulting on draft secondary legislation • Technical consultation on grant distribution 	Spring 2012	
<ul style="list-style-type: none"> • Primary legislation passed • Secondary legislation prepared 	Summer 2012	
Legislation analysis	Summer 2012	
Staffing arrangements to deliver support scheme	June 2012	October 2012
Development of financial controls	July 2012	September 2012
Fraud	July 2012	January 2013
<ul style="list-style-type: none"> • Secondary legislation passed (early autumn) • Grant allocations published 	Autumn/winter 2012/13	
<ul style="list-style-type: none"> • Draft Budget produced 	September 2012	01 November 2012
<ul style="list-style-type: none"> • Full committee report for budget setting 		Mid December 2012
Appeals	September 2012	February 2013
Documentation	September 2012	December 2012
Testing	September 2012	January/February 2013
CTB Legacy	September 2012	01 April 2013 – Ongoing

Finalise local scheme		October 2012
Consultation <ul style="list-style-type: none"> • Public consultation • Liaison with interested groups 	October 2012 October 2012	30 October 2012 31 January 2013
Policies and procedures	October 2012	February 2013
Training of staff	November 2012	February 2013
Software changes to be provided by suppliers		November/December 2012
LA's adopt scheme		31 January 2013
Issue Council Tax bills	February 2013	Mid March 2013
Local scheme in operation	01 April 2013	