

Localisation of Council Tax Benefit - Council Tax Support Scheme

Cabinet member: Councillor Neal Davey
Responsible Officer: Head of Finance

Reason for the report:

The Local Government Finance Bill, enacted on the 31 October 2012, provides for the localisation of council tax support by imposing a duty on billing authorities to make a local council tax support scheme by 31 January 2013. This replaces the current national Council Tax Benefit scheme.

RECOMMENDATION(S): Cabinet recommend that the Council:

- 1 – Adopt the Council Tax Support Scheme (CTSS) from 1 April 2013 – including the criteria set out in paragraph 4.3.
- 2 – Adopt the CTSS exceptional hardship framework – as set out in Appendix 3.
- 3 – Update the Council's constitution to allow determinations under the new CTSS (Section 13A(2)) to be made by Officers employed within the Revenues & Benefits Service.

Relationship to the Corporate Plan: The Council needs to ensure it has a formally approved scheme to grant the correct levels of Council Tax Support in accordance with its agreed policy in an accurate and timely manner.

Financial implications and risk assessment : There is a financial risk to the Council in creating a localised Council tax support scheme to replace council tax benefit for working age, these relate to:

- meeting the timescales, as failure to do so will result in the default scheme being imposed which will have costly implications and is likely to bring us into conflict with the major precepting authorities
- this is a demand led scheme that will be funded from a fixed grant payment
- forecasting demand, modelling caseload and predicting collection levels in order to give accurate data for budget and council tax setting for all major precepts.
- increased collection and recovery costs
- increased arrears and possible write offs

Legal implications: Section 13A(2) of the Local Government Finance Act 1992 Finance Bill, requires the Council to approve a local Council Tax Support Scheme. Schedule 1A to the 1992 Act provides further detail on the operation of the scheme; regulations prescribe classes of person who must be included in a scheme.

1.0 Introduction

1.1 This report updates Members on the progress of the design of a scheme for Mid Devon, the findings from the consultation exercise and details the work carried out on the equality impact assessment. The Cabinet now needs to consider; the final Council Tax Support Scheme (CTSS), the exceptional hardship policy and the delegated powers required to administer the new CTSS in practise under Section 13a of the Local Government Finance Act.

1.2 The current grant is approximately £5.1m but this is effectively spread across the preceptors as follows:

		£k
Devon County Council	71.3%	3,636
Mid Devon District Council	11.6%	593
Police	10.2%	520
Fire	4.7%	241
Parish	2.2%	<u>110</u>
	TOTAL	<u>5,100</u>

1.3 Detailed reports have been presented to the Community Well Being PDG and the Cabinet in April, May and August outlining the new legislation and how the Council would implement it. In addition to these meetings, two all Member briefings were held to enable Members to ask more detailed questions surrounding these technical changes. The Cabinet meeting on the 2 August 2012 proposed a draft scheme prior to a consultation exercise commencing in early August.

1.4 The clear steer from the major precepting authorities has been they are looking for a “cost neutral” scheme (i.e. one that matches the reduction in funding). Although they do not have any actual right to veto as part of the consultation process, it is important that Councils obtain their agreement as they take a major financial burden in the cost of the scheme (in proportion to their share of council tax).

1.5 All Devon councils have worked together to reduce the burden of work, engage consultancy, share expertise, interpret the legislation and develop their schemes.

1.6 Extensive consideration has been given to the possible options. Further consideration has included not only to establishing levels of savings but also to ensure other principles of the scheme are met, such as creating incentives into work whilst protecting the most vulnerable.

1.7 The current national council tax benefit scheme has been in place for many years and is considered fair when considering the different make up of customers. Given the tight timescales the Devon project group recommended the new Council Tax Support Scheme should remain similar with some adjustments to the current Council Tax Benefit scheme to find the savings needed.

1.8 A draft scheme was presented to Cabinet on 12 August 2012 where approval was given for a consultation exercise to be carried out.

2.0 Consultation

2.1 An 8 week consultation took place on the draft Council tax support scheme from 6 August 2012 to 1 October 2012. This consultation was based on a draft scheme which proposed the following changes:

- Council tax support limited to 75%
- Limit support up to a Band D level
- Reduce the level of capital/savings to £6k
- Stop the Second Adult Rebate
- Introduce an exceptional hardship policy/fund

2.2 The Council received 1,009 responses to this consultation exercise. The three major areas of consensus identified from this exercise were, that many benefit claimants would experience financial hardship if they had to pay 25% of their Council Tax bill, many agreed that the capital allowance reduction was “unfair” and finally most supported the concept of an exceptional hardship fund. All of the feedback from the consultation exercise has been discussed at a number of meetings and has been used to shape the final scheme. See Appendix 1 for full details of Consultation and findings

2.3 As part of the requirements of preparing a scheme the Council is required to also consult with all the major precepting authorities prior to a draft scheme being published. As the major precepting authorities have been part of our Devon working group they have been consulted on the basis of aiming to develop a ‘cost neutral scheme’.

3.0 Financial Issues

2.1 In 2012/13 the Council estimates £5.1m will be awarded in Council Tax Benefit. This is currently funded, whatever the final payment level, by the Department for Work & Pensions.

3.2 To enable billing authorities to design a new scheme the Department of Communities and Local Government (DCLG) issued a Statement of Intent setting out the funding arrangements for the new scheme. This will be a fixed grant and the funding will be cut by 10% for 2013/14. However formal confirmation of this exact sum will not be received until mid/late December. It should be noted that this will be a specific grant in 13/14 but subsumed into Formula Grant from 14/15 onwards.

3.3 Design and detailed modelling of the new scheme took place based on this 10% reduction. At this point it should be remembered that the Government legislation protected pensioners from any reduction, which effectively more than doubles the potential amount that working age customers will have to pay, based on our existing caseload of Council Tax Benefit (CTB) claimants.

- 3.4 On 18 October the Government announced a further £100m “transitional funding” voluntary grant would be paid to councils who choose to design their scheme to ensure those who were previously receiving 100% CTB would pay no more the 8.5% of their council tax liability. There were other conditions included which meant the principles used for our consultation would not be permitted. This would provide a further £123k for Mid Devon.
- 3.4.1 Central Government appears to have offered this additional “one-off” funding as Ministers are concerned that many proposed schemes will impact on working age customers on low incomes. However, at this juncture it is worth noting that most Councils, identified this issue from the very outset when this new legislation was announced and very actively voiced their concerns. This point is well made in a pan-Devon letter signed by all of Devon Councils reiterating the very real concerns associated with the existing legislation and associated funding cut (see appendix 2).
- 3.5 The Council now has effectively 3 options. Do nothing, which means having a default position, i.e. the Council has to pay in accordance with existing CTB conditions but with £510k less funding, or accept the latest Government Grant or introduce its own CTSS. The financial effect of these 3 options are summarised in the table shown below.

3 options and associated cost

	Default Scheme	Scheme with new Govt. funding	Council proposed CTSS
Saving Required – 10%	£510k	£510k	£510k
Reduced Benefit		(£229k) @ 8.5%	(£510k) @ 20%
Government Grant	(£123k)	(123k)	Nil
Budget shortfall	£387k	£158k	Nil

Note: Reduced benefit in Council CTSS also includes the other changes, (See 4.3 B - D below)

General note – the above costs of both the default scheme and the revised option including the additional grant from Government and is based on the total cost to all of the major preceptors (including Mid Devon). Meetings are currently being convened between Devon County Council and some Districts to establish whether they are still maintaining their stance that the scheme must be “cost neutral”. Members will be updated on the progress of these meetings.

4.0 Final Scheme

4.1 The Council now proposes a means tested scheme based on the current Council Tax Benefit scheme that has a mechanism in place to account for the needs of different customers and families. For example:

- a disabled claimant would have a higher level of income disregarded as part of the calculation to give them more benefit
- a couple with children would have a higher level of income disregarded as part of the calculation compared to a couple without children

4.2 Pensioners are protected under the legislation being imposed on Councils when they determine their own local scheme.

4.3 Therefore, after taking account of feedback from the detailed consultation exercise in conjunction with the specific requirements of the imposed legislation and the significant cut in funding, the Council is proposing to implement a new CTSS on the 1 April 2013 with the following criteria:

A. Everyone should pay something All working age claimants will be required to pay a contribution towards their Council tax. This will restrict the level of support to 80% - i.e. the claimant will be required to pay 20% of their Council Tax charge.

B. Limit the amount of Council tax support to a Band D charge. This change will affect 97 customers.

C. Reduce the savings limit from £16,000 to £8,000 This change will affect 47 customers.

D. Stop Second Adult Rebate This will affect 18 customers.

E. Additional support for exceptional cases of hardship.

This is a discretionary payment that will be used in exceptional cases to protect the most vulnerable customers. See Appendix 3 which now forms part of the Council Tax and Business Rates discretionary relief framework.

4.4 By maintaining the core components of the current council tax benefit system (albeit with the above 5 changes) the Council are still preserving the means test in its current form, together with the protections and work incentives that have been refined over many years. The benefit system has been in place since the start of council tax (1993) and regulations have been developed and updated over this time and will have been subject to many legal challenges. It can therefore be assumed that, the current council tax benefit system is a robust and proven system

- 4.5 To appraise members of the potential impact on existing customers of the proposed scheme, the table below is included to provide a summary of the overall impact on current Council Tax Benefit claimants. Note 5,682 claimants (3,016 pensioners (53%) and 2,666 are working age (47%)).

Weekly loss	Number of working age claimants	%
Less than £2.00	42	2
£2.01 - £3.00	170	6
£3.01 - £4.00	1,247	47
£4.01 - £5.00	798	30
£5.01 - £10.00	336	13
£10.01 - £15.00	39	1
£15.01 - £20.00	13	
£20.01 - £25.00	7	
£25.01 - £30.00	9	
£30.01 - £35.00	2	
£35.01 - £40.00	3	
£40.01 - £45.00	0	
Total	2,666	

Note %'s subject to rounding.

- 4.6 In conjunction with the consultation exercise the Council has undertaken a detailed equality impact assessment, which is attached to this report as Appendix 4.
- 4.7 The new CTSS introduced in accordance with Section 13A(2) of the Local Government Finance Act 1992 contains the recommended Council Tax Support Scheme to apply from 1 April 2013 and is available under background papers and is available in hard copy form in the Member's Room. This policy document has been drawn up by ACS Independent Consultancy & Training Support and has been reviewed and approved by Plymouth City Council Legal Services. See link under background papers

5.0 Devon-wide CTSS

- 5.1 All the Devon Authorities have been working together to develop a Devon wide framework. All the Billing Authorities (excluding Teignbridge) have been developing schemes on the principle of aiming for it to be cost neutral, i.e. grant = forecasted benefit expenditure.
- 5.2 Teignbridge have always said that 'cost neutral' for them included taking account of the additional income that can be raised from changes under Council tax technical reforms.

- 5.3 Since the Government announced (16 October 2012) additional funding for Council tax support schemes, there appears to be a possible change of direction by at least two Authorities who are considering at this late stage to take the default approach and are planning to use the additional income from technical reforms to offset the shortfall in order to deliver a cost neutral scheme. If they take this approach then they do not need to consult with the major precepting authorities. However, Devon County Council has made it clear that they do not want additional income generated from technical reforms to be used in this way.
- 5.4 For some Authorities this is not an option (not withstanding the fact that the major preceptors aren't prepared to allow it to happen) as the potential additional income that could be generated from the council tax technical reforms would not cover the shortfall in benefit expenditure. Appendix 5 details what the Devon Authorities are currently recommending as their final schemes.

6.0 Next Stage(s)

- 6.1 There is still a significant amount of work to be undertaken in implementing this scheme which includes:
- Communication plan
 - Publicise new scheme on website.
 - Need to purchase new on-line benefit calculator to reflect our new scheme
 - New leaflets for pensioners & working age claimants as now 2 schemes.
 - Raise awareness of final scheme with Welfare Agencies
 - Updating procedures and training staff
 - Write out to customers affected – early January
 - In response to the above mailshot we would consider offering revised payment plans to those most affected by the change
 - Review bills, letters and associated documentation which need to be sent out in early March

7.0 New Funding

- 7.1 With major changes in Government legislation, Councils will sometimes receive “New Burdens” funding. The Government announced the level of this funding would be £84k for Mid Devon It is recommended that this funding is used to meet any new costs of implementing the CTSS and in addition designing new processes to help customers through this transition. However, it is worth noting that much of this sum is already committed to enable necessary computer system changes.
- 7.2 In addition to the above a Devon wide business case is being submitted to all the major precepting authorities to provide Billing Authorities with additional financial resource for recovery teams in order to protect the collection fund.

8.0 Other Welfare Implications

8.1 In addition to the implementation of the CTSS the Council will also have to consider other welfare changes such as; Social Sector size restrictions, Benefit CAP, Welfare Assistance Scheme which replaces Crisis Loans and Council Tax Technical Reforms all for 1 April 2013. This is a significant amount of change in a very tight timescale at what is normally an extremely busy time of the financial year. All these changes are reliant on software and certain key staff to ensure that this all happens successfully.

9.0 Conclusion

9.1 If the Council considers the need to make changes to its scheme in 2014/15, Members will need to make any subsequent recommendations, at the latest in May, in order to meet the timescales of having a new scheme in place by 31 January 2014. Even minor changes will still require the Council to consult on a draft scheme with both the major precepting authorities and the public.

9.2 However, what we won't know by then is the impact of how this scheme is "bedding down" or what the grant funding will be for the 2014/15 until much later in the year. Members may wish to make recommendation on reviewing the impact of our scheme in May 2013 on the basis of what we know at that time.

9.3 Ideally, in the longer term it would be better to develop a much simpler system, especially once Housing Benefit migrates to Universal Credit as for the majority, there will no longer be dual assessments. A completely new scheme will take much more time to develop and set up and therefore consideration on lead time and resources is needed to ensure this can be achieved. This would not be before 2017 when Universal Credit is fully implemented.

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Circulation of the Report: Cllr N Davey and Management Team

List of Background Papers:

- Full Equality Impact Assessment
- Joint Cabinet (5 April 2012) and Community Well Being Policy Development Group (29 May 2012) and Cabinet 2 August 2012
- Exceptional Hardship Policy
- Section 13A Policy – hard copy available in Members Room from the 15 November 2012 and copy on the website next to this report
- Letter from all Devon Authorities to LGA
- Letter from Plymouth City Council's Legal Service
- Full consultation analysis