

<b>Subject:</b>	Abolition of Council Tax Benefit and replacement with a Local scheme	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	27 <sup>th</sup> June 2012
<b>Report of:</b>	<b>Head of Finance</b>	<b>Portfolio Holder:</b>	
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required: Yes	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment</b>	Required: No	<b>Attached:</b>	No
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<b>1.</b>	<b>RECOMMENDATIONS</b>
1.1	That Members approve a period of public consultation up until 31 <sup>st</sup> October 2012 on how best to pay for the Governments proposed c. £600k reduction in Council Tax benefit grants
1.2	That following the consultation a further report is brought back to Cabinet later in the year on which a final recommendation by Cabinet is made to Full Council.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to raise awareness as to imminent changes to Council Tax benefit support to be implemented from 1<sup>st</sup> April 2013 as a result of a 10% reduction in the central government support grant for 2012/13.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A clean and green Rossendale** – creating a better environment for all.
  - **A healthy and successful Rossendale** – supporting vibrant communities and a strong economy.
  - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Reputational as Council implements central government policy
  - Financial risks as demand increases against a cash limited grant (e.g.: growing pensioner population)
  - Increased customer demand on both district and county services
  - Financial as the cost of Council Tax collection increases.
  - Varying schemes in neighbouring districts (both Lancashire and Greater Manchester) potentially creating a “postcode lottery”.
  - Impact of other national initiatives on customers being introduced at or around the same time (e.g.: Universal credit, Housing Benefits)
  - Implementation of a default scheme if authorities do not adopt a local scheme by 31<sup>st</sup>

January 2013.

- In creating a local scheme minimizing the need to change IT and systems changes at a time of increased demand on systems designers and providers.
- Assessing the need for the creation of a financial contingency to absorb any short term unknown additional pressures.

## **5. BACKGROUND AND OPTIONS**

- 5.1 Council tax benefit (CTB) is currently a national income related social security benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). CTB is calculated on a means tested basis and is governed by legislation passed by Parliament.
- 5.2 It was announced in the October Spending Review of 2010 that support for council tax would change from April 2013 and that expenditure would be reduced by 10%. The Government has estimated that nationally this will save £490 million per year. This is part of a wider set of reforms and changes to the welfare system. The Government states that this is to encourage incentives to work and to end a culture of benefit dependency. Amongst other things the administration of Housing Benefit currently delegated to local authorities will transfer to the DWP, although final timescales on this transfer are unknown.
- 5.3 Central government guidance to local authorities is still being developed alongside the public consultation process. What we do know is that local authorities will now need to determine their own schemes for CTB based on the reduced finances available and guidance by the Department for Communities and Local Government (DCLG) rather than the DWP. A new grant will be made available to local authorities amounting to 90% of the previous year's expenditure on CTB. Currently the DWP covers the cost of CTB according to demand by giving the local authority a subsidy based on the overall amount of CTB paid to those claiming. The new system effectively caps the resources central government will contribute in the future and will no longer be based on demand.
- 5.4 Earlier this year, the Government consulted on proposals for what it entitled "the localisation of support for council tax in England". The Government has now published a response to the outcome of this consultation alongside the Local Government Finance Bill, which contains provisions for the establishment localised support schemes in England. The framework for these local schemes will be set out in draft regulations which have not yet been published.
- 5.5 It is important to note that the Governments policy states that pensioner council tax support will not be reduced as a result of the introduction of this reform. The Government will ensure that this is the case through a national framework of criteria and allowances that are outside the local scheme. However, if the grant to support CTB is reduced by 10% but at the same time payments on behalf of pensioners are not reduced the logical conclusion is that any reduction in CTB payments will fall on those of working age. Similarly local authorities have a duty to consider the impact on vulnerable groups. The definition of vulnerable groups is not yet totally clear, but, should current customers with a disability be protected the potential financial burden on remaining customers of working age increases.
- 5.6 For Rossendale we currently have c. 7,055 customers claiming £5.92m CTB in total. This customer base is split approximately 44% pensioners and 56% adults of working age. If our subsidy grant is to be reduced by 10% (i.e. £592k) and at the same time all pensioners protected the 52% of working age could see their personal CTB reduced by 20%. For a

customer in a band A property currently claiming 100% CTB, this could mean that in future they potentially face an annual bill of £210. There may be other vulnerable groups who are also protected which will further increase the potential financial burden on those remaining customers of working age.

#### 5.7 DCLG have advised that local authorities need to:

- forecast demand when designing the scheme and make assumptions about take up
- consider if as a Council they are able to fund the grant reduction from their own resources, alongside Lancashire County Council (LCC) and other preceptors.
- take into account the level of grant available and any estimated impact on council tax yield including estimated non-collection
- the risks of an increase in demand or increased risk of non- collection should be managed locally and contingency arrangements made. Schemes cannot be withdrawn or changed mid-year
- Submit their proposed schemes to some form of scrutiny or challenge including making the data underpinning the scheme publically available. Formal public consultation and agreement by elected members will be required.
- Consider and respond to DCLG consultation on potential areas for the sharing of the financial cost burden in particular consultation on continuation of the current exemptions and discounts :
  - Class A – vacant dwellings where major repairs work is in progress (12 months exemption, potential value estimated at £53k)
  - Class C – vacant unfurnished dwellings (first 6 months exemption potential value estimated at £336k)
  - Class L – unoccupied dwellings and taken into possession by a mortgage lender (potential value estimated at £28k)
  - Long Term Empty discounts - currently not available in Rossendale
  - Second Home Discounts – currently only the statutory minimum 10% discount available in Rossendale (potential value estimated at £15k).
- Members may also wish to comment to DCLG on the current 25% discount given to single person property occupancy. A 1% reduction to 24% has a potential value of £126k.

#### 5.8 Administration of local schemes:

- There should be a degree of consistency of administration between authorities to support data sharing and minimize complexity
- The system should not be too complex as to create a disincentive to work
- Claimants could be notified simply through the bill rather than through separate notification letters
- The responsibility for the prevention of fraud and error under the local scheme would rest with the local authority
- The transition will involve ending council tax benefit and commencing the new scheme from 1<sup>st</sup> April 2013
- Local authorities must adopt a local scheme by 31<sup>st</sup> January 2013 in order to avoid the Government's default scheme based on existing arrangements and current expenditure.
- Rossendale Officers have commenced tentative discussion with Lancashire County Council and other Lancashire districts with a view to creating a local scheme that has

some similarity across Lancashire, that is based on existing criteria and avoids significant changes to existing administration and software systems

5.9 The proposed timetable for implementation of the local scheme:

### **Spring 2012**

- Primary legislation passed through Parliament.
- Government preparing and consulting on draft secondary legislation.
- Technical consultation on grant distribution

### **Summer 2012**

- Secondary legislation prepared.
- Local authorities designing local schemes, scoping IT changes
- Local authorities establishing local schemes – consultation with major precepting authorities and public, revisions to schemes.

### **Autumn / Winter 2012/13**

- Secondary legislation passed (early Autumn).
- Grant allocations published
- Technical changes to systems begin
- Local authorities setting budgets.
- Local authorities adopt schemes (by latest 31<sup>st</sup> January 2010)

### **Spring 2013**

- Local schemes in operation.

## **5.10 Potential Scheme Options**

Given the above there are a number of broad fundamental options with regard to a new scheme and the absorbing of the 10% reduction in the Council Tax benefit grant received from central government. They are as follows:

### **5.11 Option 1**

“Existing Scheme”: the new local scheme continues in line with the existing scheme with no significant change to individual claimants. This will result in the cost burden arising from the 10% reduction in government grant of c £600k falling on wider either Council finances and Council Tax payers or other groups identified as a source of new revenue, or a mix of these groups.

### **5.12 Option 2**

“Existing Scheme less a percentage”: the new local scheme continues in line with the existing scheme with pensioners protected (as per Government and statutory requirements), but those of working age have their individual benefit reduced by a percentage equivalent to the Governments reduction in grant. In practice, given that Pensioners (c 44% of customers) are protected those remaining of working age (c 56%) will see their benefits reduced by c 20% in this scenario.

### 5.13 Option 3

“Existing Scheme, consideration of vulnerable groups less a percentage”: the new local scheme continues in line with the existing scheme with pensioners protected (as per Government and statutory requirements) and consideration/allowance, yet to be determined, is also given to vulnerable groups, but those of working age have their individual benefit reduced by a percentage equivalent to the Governments reduction in grant. In practice, given that Pensioners (c 44% of customers) are protected, if vulnerable groups are also given some allowance those remaining of working age (c 56%) will see their benefits reduced by in excess of 20%

### 5.14 Option 4

“Demand Allowance”: build into the above 3 options an allowance for a forecast increases in take-up and demand

## **COMMENTS FROM STATUTORY OFFICERS:**

### **6. SECTION 151 OFFICER**

6.1 Member should take note of the Councils Medium Term Financial Strategy (MTFS), in particular the need to save in excess of £1m pa, when making any final decisions in this matter. Any measures to raise income via Council Tax changes (as noted above) and the share to Council (c 17%) could alternatively be used to partly reduce the MTFS deficit.

### **7. MONITORING OFFICER**

7.1 No additional comments to be made.

### **8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

8.1 The Equality Act 2012 established the Public Sector Equality Duty, the duty requires the Council to give due regard to :

- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
- Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.

Foster good relations between people who share a relevant protected characteristic and those who do not share it.

8.2 The amount of regard that is ‘due’ (that is, the degree of attention demanded by the needs) is set out in section 49 of the Equality Act and will depend on the circumstances of the case, the greater the potential impact of a decision, the greater the regard that must be had. The consultation and engagement which will be undertaken as part of the development of any proposals will support the Council’s decision making process and ensure that the Council does give due regard.

8.3 The report raises awareness in relation to the imminent changes to Council Tax. The development of any proposals will be subject to full consultation and these will inform an assessment of their impact on communities. A community impact assessment will be undertaken as part of this process and the details reported to Cabinet to inform the decision making process.

### **9. CONSULTATION CARRIED OUT**

9.1 The report is asked to approve a period of consultation across a number of groups. This will consist of, inter alia:

- Public and customer consultation
- Partners/Potential Partners
  - Green Vale Homes,
  - Lancashire County Council,
  - Citizens Advice Bureau,
  - Department of Works & Pensions,
  - Police,
  - Fire,
  - Whitworth Town Council
  - REAL/Community networks

9.2 A community impact assessment has commenced and will develop further during the course of the consultation period for consideration as part of Members' final decision making process.

## 10. CONCLUSION

10.1 The proposed changes to the current Council Tax benefit system and in particular a reduction of 10% based on the 11/12 demand will inevitable mean that either a section, sections of or all of our customers pay the equivalent of c. £600,000, e.g.:

- Current claimants of working age
- Those currently entitled to council tax exemptions or discounts
- Wider Council Tax payers (and therefore the impact on other precepting bodies)

### Background Papers

Document	Place of Inspection
Central Government consultation and guidance on "localising support for council tax" via The Department for Communities and Local Government	<a href="http://www.communities.gov.uk">www.communities.gov.uk</a>