

<b>Subject:</b>	Localisation of Council Tax Support	<b>Status:</b>	For Publication
<b>Report to:</b>	Overview & Scrutiny (Policy) Cabinet Council	<b>Date:</b>	26 <sup>th</sup> November 2012 28 <sup>th</sup> November 2012 12 <sup>th</sup> December 2012
<b>Report of:</b>	<b>Head of Finance</b>	<b>Portfolio Holder:</b>	<b>Finance and Resources</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	Attached: Yes
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
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<b>1.</b>	<b>RECOMMENDATIONS</b>
1.1	That Council recommends Option A (the initial Council Tax Support entitlement is calculated according to existing arrangements and then subject to a 20% reduction in order to calculate the final Council Tax support entitlement).

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update members on the results of the public consultation which ended on 26<sup>th</sup> October 2012 in relation to a Local Scheme for Council Tax Support. Results on the public consultation have been considered and taken into account when proposing a final recommendation.

## 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 As from 1<sup>st</sup> April 2013 the Government will hand over the running of Council Tax Benefit to local councils and will reduce the money Rossendale Borough Council will receive by 10%. This means that central Government will reduce the grant it currently provides to support Council Tax Benefit in Rossendale by approximately £600,000 in the first year alone. Members will recall that under national legislation, as Pensioners are to be protected, the consequence is for a 20% reduction in resources available to support those current beneficiaries of working age.
- 5.3 Local Authorities must create a Local Scheme for Council tax Support, which must be agreed by Council by 31<sup>st</sup> January 2013. Reports in relation to the changes were previously brought before Cabinet in June and September 2012.
- 5.4 Officers initially worked with colleagues across Lancashire in order to ascertain if a County wide scheme could be adopted. Whilst joint working did commence, Authorities decided to have individual schemes. Regardless of this, many of them are very similar.
- 5.5 The Authority went out to public consultation with their preferred scheme and other options for consideration on 6<sup>th</sup> August 2012.  
The options were:

### Option A ( Rossendale Borough Council's preferred scheme)

It is proposed that Council Tax Support be calculated as a means tested discount, defined by the terms of the existing Council Tax Benefit Scheme. Under the existing Council Tax Benefit regulations, Rossendale Borough Council doesn't count income from war pensions. It is proposed to continue with this approach under the Council Tax Support Scheme. The only proposed change to the existing scheme is identified below:

The initial Council Tax Support entitlement is calculated according to existing arrangements and then subject to a 20% reduction in order to calculate the final Council Tax support entitlement. In effect all customers of working age will have to pay at least 20% of their Council Tax Bill (i.e. their maximum entitlement to Council Tax Support will be **capped at 80%**).

## Option B

As per option A but also in recognition of the Government requirement to incentivise work, to increase the earning disregard by £10 per week. This earning disregard would be in addition to the current rates of £5, £10 & £25 noted above.

For people with earnings, the effect of the increase in earnings disregard would be to largely mitigate the increase council tax payable arising from Option A, a 20% reduction, for those remaining the maximum entitlement to Council Tax Support will be **capped at c. 78.5%**

## Option C

As per option A, but also protect all families with children under 5, their current entitlement will remain unaffected, and their maximum benefit entitlement will be 100%.

The consequence of this for all other working age people, in receipt of Council Tax Benefit, would be that their maximum entitlement to Council Tax Support will be **capped at 76%**

## Option D

As per option A, but also protect all families with children their current entitlement will remain unaffected, and their maximum benefit entitlement will be 100%.

The consequence of this for all other working age people, in receipt of Council Tax Benefit, would be that their maximum entitlement for Council Tax Support will be **capped at 61%**

## Option E

As per option A but the proposal is to also protect all customers with a disability their current entitlement will remain unaffected, and maximum benefit entitlement will be 100%.

The consequence of this for all other working age customers being that their maximum entitlement for council support will be **capped at 65%**

5.6 The rationale for the proposed option (Option A) is, amongst other things:

- The impact on current claimants, particularly those of working age and therefore an equitable allocation across this group.
- The scheme reflects the Government funding cuts, but allow for some further increase in demand.
- Continuation of the existing Council Tax Benefit rules and regulations as the basis for entitlement.
- As a consequence of the basis being the existing scheme, consideration is built into the proposed scheme to give regard to vulnerable groups.
- The existing scheme currently incorporates certain earning allowances to incentivise work, together with transitional periods when entering into employment.

5.7 Other options for consideration:

A general increase in Council Tax of 1.8% which is set against the Councils' Medium Term Financial Strategy assumption, of a 3% annual general increase in Council Tax. This would equate to a total increase of 4.8%. This is in excess of Government capping limits currently

set at maximum 2%. This option would also impact on precepting partners (Lancashire County, Fire and Police) who likewise will have to collectively fund their combined share (84%) of the £600,000 grant reduction either through increases in Council Tax or reductions in their budget expenditure.

Alternatively, further reductions in the Council's net current expenditure of c 1.0% (c £100,000) which is an additional further pressure on the Councils' current savings target of c. £1.3 million. This option again impacts on precepting partners (Lancashire County, Fire and Police) who likewise will have to collectively fund their combined share (84%) of the £600,000 grant reduction either through increases in Council Tax or reductions in their budget expenditure.

## 6 TRANSITIONAL GRANT SCHEME

6.1 DCLG published details of a transitional grant scheme in mid-October 2012. It stated that they were making available an additional £100m for one year, to support local authorities in developing their schemes. This compares to Central Governments estimated £470m saving from the original 10% global reduction

6.2 The grant is payable to Authorities who adopt schemes that comply with criteria set by Government.

6.3 To apply for the grant, billing authorities must adopt schemes which ensure that:

- Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
- The taper rate does not increase above 25%;
- There is no sharp reduction in support for those entering work.

6.4 Under option A the Council would be passing on £600k cost to those of working age which equates to 20%. If the maximum cost, as indicated by Central Government, which could be passed on to working age people in receipt of benefit was limited to 8.5%, this would equate to £255k ( $£600k/20 \times 8.5$ )

6.5 The funding gap would therefore be £345k ( $£600k - £255k$ ), before Rossendale's share of the £100m funding.

6.6 Rossendale Borough Council's share of the £100m Central Government funding would be £143k (this covers RBC, LCC, Police and Fire). The final funding gap is therefore £202k in Rossendale of which 16% (£32k) is RBC and the remainder County and others.

However, given the potential reduction in the need to make bad debt reductions from the reduced collection risk (see para 7.2), the incremental cost to the MTFs could be reduced to approximately £16k.

6.7 Following the Government's announcement of the additional Transitional Grant the following comments have been made by other precepting authorities:

Lancashire County Council (Cabinet resolution 8<sup>th</sup> November 2012):

*"The County Treasurer be requested to urge all District Councils to carefully consider their response to the Government's announcement of £100m one-off funding for those authorities who implement a council tax support scheme which ensures that claimants currently on 100% support would not pay more than 8.5% of their net council tax liability and the impact on both their own services and the services provided by the County Council to the most vulnerable people in Lancashire."*

Lancashire Fire & Rescue (Director of Corporate Services):

*"We are concerned as to the potential impact that the further reductions required to fund this would have on our service. As such the Authority does not support amending the scheme to qualify for the one off grant unless the additional cost is offset by amendments to the level of council tax discounts and exemptions that are currently provided."*

(NB – reference to discounts is something that this Council ceased in previous years)

Lancashire Police Authority:

Awaiting feedback following recent election of the Lancashire Police and Crime Commissioner.

## **COMMENTS FROM STATUTORY OFFICERS:**

### **7. SECTION 151 OFFICER**

7.1 Member should take note of the Council's Medium Term Financial Strategy (MTFS), in particular the need to save in excess of £1.3m pa, when making any final decisions in this matter.

7.2 The risks have noted a potential increase in the cost of collection as customer of working age previously exempt from Council Tax now face at least a 20% charge. An increased bad debt provision (30% = £30k) is therefore included in the MTFS for Council's share of the Council Tax to be due.

### **8. MONITORING OFFICER**

8.1 No additional comments to be made.

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

9.1 There are no Human Resources Implications arising from the Report.

The Equality Act 2010 requires the Council to have due regard in the exercising of its functions in relation to the three aims of the Equality Duty, for the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
- Advanced 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.

The amount of regard that is "due" is set out in the Act and will depend on the circumstances of the case. Under the general equality duty there is a requirement to engage with people with protected characteristics and to have an adequate evidence base for Council decision-making. The duty to inform, consult or involve requires that the council must involve

communities and those directly affected at the most appropriate and proportionate level in 'routine functions, in addition to one-off decisions.' Further, under the duty of Best Value the Council is required to consult representatives of a wide range of local people; this should include local voluntary and community organisations and small businesses in such consultation. The Council has used the existing National Council Tax Benefit Scheme as its basis which already has built in protection for people with children in receipt of child benefit, people with a disability and people in receipt of a war pension.

Central Government Policy prescribes that the local schemes for council tax support should protect pensioners; all the options detailed within the report protect pensioners.

Central Government Policy also prescribes that the local scheme should consider the needs of vulnerable groups, in developing its options the Council has considered those needs. In light of the impact of the decision, the Council has undertaken a comprehensive consultation and engagement process. The findings of the consultation will be used to inform the decision making process. Where a negative impact is identified the Council will look to put measures in place to mitigate that impact.

9.2 The report raises awareness in relation to the imminent changes to Council Tax Benefit.

9.3 The development of these proposals has been subject to full consultation which has informed an assessment of their impact on protected groups (as defined by the Equality Act 2010). An equality impact assessment has been undertaken as part of this process and Members attention is drawn to the content of the Equality Impact Assessment, findings of which should be considered as part of the decision making process.

#### 9.4 **Council Tax Support – Discretionary Additional Relief Scheme**

In recognition of the changes to be implemented it is proposed to introduce a separate discretionary additional relief scheme in order to assist those facing periods of additional hardship. Any payments under this separate discretionary scheme will be the responsibility of Council and apply only if claimants are deemed eligible and only after all other available support mechanisms have been explored. Given the significant changes localisation of Council Tax brings to certain customers and the transfer of additional risk to Council, officers recommend that resources required to support this separate discretionary scheme are initially annually cash limited to £7,500. The Discretionary Additional Relief Scheme will mitigate some of the negative impact experienced by those people who comprise protected groups and who are covered by the Equality Act 2010.

This separate discretionary scheme is attached at appendix 1 and entitled "Council Tax Support – Discretionary Additional Relief Scheme."

## 10. **CONSULTATION CARRIED OUT**

10.1 Members are asked to note that during the period of consultation (6<sup>th</sup> August to 26<sup>th</sup> October 2012) representatives of the Council endeavoured to consult as widely as possible. The consultation consisted of:

- Public and customer consultation
  - Letter, information booklet, questionnaire and a pre-paid envelope sent to **ALL** working age residents in receipt of benefit at the time of the mailshot (4,140). The information included a number of options A-E plus an explanation that the options were not exhaustive and other variations could be introduced, the

consultation process welcomed further comments with regard to other options or variations. The questionnaire also encouraged people to make other suggestions on how the changes to Council tax benefit should be addressed and how the impact of any of the proposals could be reduced.

- The same letter, information booklet, questionnaire was sent to specific community groups and organisations who work with protected groups (as identified under the Equality Act 2010), including: Rubicon, Rossendale Disability Forum, Financial Inclusion Group, Help Direct, Calico- Floating Support, Positive Start, Staghills Childrens, Centre, Veterans in Action, Rossedale Older Peoples Forum, Bacup Family Centre, Whitewell Bottom Community Centre, Rossendale Valley Mencap, Whitworth Childrens Centre, Haslingden Community Link, Balladen Childrens Centre, The Maden Centre, Islamic Centre Haslingden, Islamic Centre Rawtenstall, Welfare Rights, Housing Options Team, Rossendale CAB, Disability Equality Northwest. The groups were encouraged to give their views.
- A letter was sent advising of the proposed changes, how residents could have their say and take part in the consultation to all new benefit customers and current customers with a change in circumstances. This notice accompanied their benefit notification letter.
- 2,869 randomly selected non-council tax benefit residents were also sent a letter, information booklet, questionnaire and pre-paid envelope asking for their views.
- Briefing session/presentation to elected members, CAB, Whitworth Town Council and staff.
- Question and Answer drop in sessions were also arranged for 13<sup>th</sup> and 17<sup>th</sup> September 2012 from 2pm to 6pm for any interested parties to attend.
- Face to Face consultation with protected groups (as identified under the Equality Act 2010). The face to face consultation included: Parents with children and a representative from a Carers organisation, Face to face consultation was held at the local Mosques where information in relation to the proposed changes and options was discussed. Face to face consultation was attempted with service users at the Oakenhead Centre, who confirmed that due to the complexity of the issue consultation with carers would be more appropriate.
- Publicity:
  - Information on the Council web site and social media.
  - posters and consultation packs in the Council's One Stop Shop and various locations throughout the valley
  - Press releases issued to the media Articles in the Councils Team Brief, articles in the Council's members bulletin
  - Letter to the Citizens Panel comprising 768 residents.
- Partner's consulted
  - Green Vale Homes
  - Lancashire County Council
  - Citizens Advice Bureau
  - Department of Works & Pensions
  - Police
  - Fire
  - Whitworth Town Council
  - Agencies delivering services to Young People

- REAL / Community networks

## 10.2 RESULTS OF THE CONSULTATION

The following feedback has been received:

- A written response to the Council's proposals has been received from Lancashire County Council, Police, Fire and Whitworth Town Council. All favour the Council's preferred option A.
- Representatives from Rossendale Council made a presentation of the changes and options for consideration to the Citizen's Advice Bureau board who recognised the financial situation the Council were in. Members stated that of the options presented they felt that the Council's preferred option A did seem the fairest. The board stated that they did feel that young single people would be affected most by the changes and sharing the burden amongst all working age people on benefit seemed the fairest thing to do. Subsequently the Citizens Advice Bureau have also expressed concern in relation to the impact of the proposals in relation to those people with mental health issues and people already experiencing debt related issues in particular those who are victims of domestic violence and families with children.
- The Cabinet agenda includes a further report which summarises current wider consultation activity. The feedback in relation to Council Tax changes are included in this separate report, as well as in the equality impact assessment. The results of wider public consultation via questionnaire can be summarised as:
  - 59% agree with the council's proposed scheme (option A)
  - Of the 34% who disagree, the majority want to see a 0% cut to council tax benefit
  - Varying reaction to the alternative proposals
  - Option B seen to be the most agreeable alternative
  - Option D seen to be the least agreeable alternative
  - A third of residents believe that the proposals will have a greater impact on certain groups or individuals
  - Mainly disabled residents and their carers, single people and those on a low income
- This is further analysed by responses from Benefit claimants
  - 33% agree with the council's proposed scheme (option A)
  - Of the 59% who disagree, 56% want to see a 0% cut to council tax benefit
  - Much less variability seen when reacting to the alternative statements
  - Option E is the clear favourite for benefit claimants (more so than the council's proposed scheme)
  - But no real differences between the other 3 proposals
  - 38% believe that the proposals will have a greater impact on certain groups or individuals
- Council Tax payers responded
  - 87% agree with the council's proposed scheme (option A)

- Of the 11% who disagree, 54% want to see a 0% cut to council tax benefit
- Much greater variation in response to the alternative proposals
- Option B seen to be the most agreeable alternative (but clear preference for the council's proposed scheme)
- Option D seen to be the least agreeable alternative
- 28% believe that the proposals will have a greater impact on certain groups or individuals
- Preceptors – LCC, Police & Fire and Rescue whose preference was for Option A.
- In terms of impact:
  - 33% agree that the scheme will adversely affect some groups, higher for benefit claimants and those under 50
  - 28% feel that there would be little or no impact, higher for tax payers, men and residents without a disability
  - Who will be affected?
    - Disabled and their carers, single people and generally those on a low income
  - How will they be affected?
    - Financially already on a very tight budget
    - Other benefits are being reduced at the same time so a cumulative impact
    - Would have less available for other essentials (food, heating etc)
  - What can we do to minimise this?
    - Adopt a system where those who deserve help get it
    - Check everyone on benefits more stringently to reduce fraud
    - Assess disposable income rather than actual income
    - Find and explore new sources of income
    - Identify those who are able to pay

10.3 The equality impact assessment has been developed during the course of the consultation period and its findings are for consideration as part of Members' final decision making process.

Option A: Reduce the amount of support to all working age people by 20% (retaining current rules and regulations of the current benefit scheme.

Pensioners will continue to be protected so there is no negative impact. There will be a negative impact on all working people and couples who are recipients of Council Tax Benefit regardless of if they have children, their gender, disability, age, gender reassignment, if they are pregnant or have recently given birth, their race, belief, sexual orientation or marital and civil partnership status. This option may also have a negative impact on those who have a disability. Option A as with the other options, uses the existing National Council Tax Benefit Scheme as its basis which already has built in protection for people with children and people with a disability. The amount of impact for these groups will be dependent therefore on individual circumstances.

Option B: This option is the same as A, but increases the amount of earning disregard by

£10.00 per week.

Pensioners will continue to be protected so there is no negative impact.

Increasing the earning disregard by £10.00 per week could have a neutral impact on anyone who is working and receiving Council tax benefit as the reduction in Council Tax Benefit would be mitigated by the increase in earnings disregard. However, this is dependent on individual circumstances.

There will be a greater negative impact on all working people and couples who are recipients of Council Tax Benefit regardless of if they have children, their gender, disability, age, gender reassignment, if they are pregnant or having recently given birth, their race, belief, sexual orientation or marital and civil partnership status or if they are disabled because the cost of providing this protection would be shared amongst all other Council Tax recipients. Option B as with the other options, uses the existing national Council Tax Benefit Scheme as its basis which already has built in protection for people with children and people with a disability. The amount of impact for these groups will be dependent therefore on individual circumstances.

Option C: This option is the same as option A, but is to also protect all families with children under 5.

Pensioners will continue to be protected so there is no negative impact. Families with Children under 5 years old would also be protected and therefore there would be no impact for this group.

There will be a greater negative impact on all working people and couples who are recipients of Council Tax Benefit regardless of if they have children over 5 years, their gender, disability, age, gender reassignment, if they are pregnant or have recently given birth, their race, belief, sexual orientation or marital and civil partnership status or if they are disabled because the cost of providing this protection would be shared amongst all other Council Tax recipients. Option C as with the other options, uses the existing national Council Tax Benefit Scheme as its basis which already has built in protection for people with children and people with a disability. The amount of impact for these groups will be dependent therefore on individual circumstances.

Option D: This option is the same as option A, but is to also protect all families with children who are in receipt of child benefit.

Pensioners will continue to be protected so there is no negative impact. Families with children who are in receipt of child benefit would also be protected and therefore there would be no impact for this group.

There will potentially be a greater negative impact on all working people and couples who are recipients of Council Tax Benefit regardless of their gender, disability, age, gender reassignment, if they are pregnant or have recently given birth, their race, belief, sexual orientation or marital and civil partnership status or if they are disabled because the cost of providing this protection would be shared amongst all other Council Tax recipients. Option D as with the other options, uses the existing National Council Tax Benefit Scheme as its basis which already has built in protection for people with children and people with a disability. The amount of impact for these groups will be dependent therefore on individual circumstances.

Option E:

Pensioners will continue to be protected so there is no negative impact. Disabled people

would also be protected and therefore there would be no impact for this group.

There will potentially be a greater negative impact on all working people and couples who are recipients of Council Tax Benefit regardless of if they have children, their gender, age, gender reassignment, if they are pregnant or have recently given birth, their race, belief, sexual orientation or marital and civil partnership status or if they are disabled because the cost of providing this protection would be shared amongst all other Council Tax recipients. Option E as with the other options, uses the existing National Council Tax Benefit Scheme as its basis which already has built in protection for people with children and people with a disability. The amount of impact for these groups will be dependent therefore on individual circumstances.

**Other Matters:**

The Council proposes to introduce a number of measures to mitigate the negative impact of the proposed options on protected groups:

- Introduce a Discretionary Additional Relief Scheme
- Explore options with customers in relation to flexible payments
- Work with CAB and partners to provide support to customers in relation budgeting and money management.
- Consider utilising the Government’s Transitional Grant scheme.

**11. CONCLUSION**

11.1 The proposed Government changes to the current Council Tax benefit system and in particular funding reductions of 10% based on the 11/12 demand will inevitable mean that a section, sections of or all of our customers pay the equivalent collectively of c. £600,000

11.2 The published preferred option is that the initial individual customers’ Council Tax Support entitlement is calculated according to existing arrangements and then subject to a 20% reduction in order to calculate their final Council Tax support entitlement. In effect all customers of working age will have to pay at least 20% of their Council Tax Bill.

Background Papers	
Document	Place of Inspection
Previous reports to Members (Cabinet June and September)	Council website
Consultation responses and analysis	Service Assurance Team
Technical document to reflect the details of the new local scheme	Service Assurance Team