

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Leader and Cabinet

12 July 2012

**AUTHOR/S:** Executive Director Corporate Services

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### LOCALISED COUNCIL TAX SUPPORT

#### Purpose

1. To consider a scheme for Localised Council Tax Support (LCTS) and variations to Council Tax discounts and disregards for consultation with stakeholders.
2. This is a key decision because it involves the development of policy as a result of introduction of Localised Council Tax Support. The introduction of this new policy could have a significant effect on the Council's budget and it is likely to be significant in terms of its effects on communities living in the District and will affect all wards.
3. This item was not published in the forward plan as the consultation timescales have been accelerated. The Chairman of Scrutiny and Overview Committee has been consulted and has given consent for the report to be brought forward in accordance with the Council's Access to Information Procedure Rules.

#### Recommendation

4. That stakeholders be consulted on the options for the design of a Localised Council Tax Support Scheme which:
  - (a) Delivers the Government's budget reduction in full,
  - (b) Protects those considered vulnerable, and
  - (c) Provides for revisions to council tax discounts (as detailed in **Appendix A**)

#### Reason for Recommendation

5. This recommendation will enable the Council to consult on a scheme which will minimise the financial risk to itself and other major precepting authorities by delivering reductions to cover the estimated grant loss.

#### Background

6. The Government has made, and is making further major changes to the welfare benefits system following the June 2010 Budget and the Comprehensive Review in November 2010. The reforms included both Housing Benefit (HB) and Council Tax Benefit (CTB) reforms. The reforms include the introduction of Localised Council Tax Support to replace CTB. The introduction of Universal Credit will see the demise of Tax Credits, Housing Benefit, Income Support and Job Seekers Allowance and the introduction of combined one benefit.
7. The current cost of CTB is met in full by a Subsidy Payment made to the Council by the Department of Work and Pensions which is not financially limited. The Welfare Reform Bill and the Local Government Finance Bill outlines the replacement to Council Tax Benefit with localised systems of Council Tax support with fixed budgets proposed at a reduction of 10% of current expenditure from 1 April 2013. This change will realise a saving of £500million nationally.

8. There are currently 6,868 recipients of CTB in 2012-13 within South Cambridgeshire; of those 3,708 are of pension age and 3,160 of working age. It is expected that the number of claimants will increase due to the growth of properties within South Cambridgeshire and the current economic climate.

### **Considerations**

9. There are a number of principles and rules which have been set out by the Department of Communities and Local Government (DCLG) which need to be reflected in the design of a local scheme for Council Tax support.
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- (a) Pensioners are to be protected based on their entitlement under the current rules for CTB.
  - (b) The design of any scheme for LCTS needs to cover the duties of the Local Authority in relation to the following acts:-
    - (i) The Equality Act 2010
    - (ii) The Child Poverty Act 2010
    - (iii) The Housing Act 1996 (Duty to prevent Homelessness)
  - (c) The LCTS scheme supports the main aim of welfare reforms that the scheme is simple; those in work should get more overall money than those who don't. The scheme should support work incentives and not provide a deterrent to work.
  - (d) The impact of changes in the demand for and the cost of LCTS will fall wholly on the major precepting authorities, including SCDC, thus removing the funding risk for the government.
10. Currently 54% of residents claiming are pensioners; this means that those of working age will have significantly larger reductions to benefit than the 10% overall reduction in funding indicated by the Government. The demographics are different in each area and will result in different level of reductions from working age based on the number of pensioners receiving CTB.
11. The introduction of technical reforms to Council tax from 2013/14 will enable the Council to have some discretion to vary locally some of the statutory exemptions from Council Tax and raise some additional Council Tax; these are included in Appendix A, Reducing the discounts and exemptions on certain categories of property will generate additional resources to mitigate against the impacts of the implementation of LCTS. Cabinet will need to consider the balance of support to this group of council tax payers against working age recipients of CTB.
12. The Council had already undertaken some high level consultation in addition to the statutory requirements and this information has been used to shape the scheme design. While this type of consultation has not been undertaken by many authorities it is considered that it is essential to engage with residents and those affected to ensure that any scheme proposed reflects the views of those living in South Cambridgeshire
13. The proposed schemes can be facilitated by the Council Benefits software supplier which means additional data input will not be required. The core information required for both HB and LCTS will be the same.
14. The Council has been given an indicative allocation of funding but DCLG acknowledge that it is "likely that the final allocations will differ, both in amount and also in relative distribution between authorities". It should therefore be noted that schemes have been based on estimated grant allocations, estimated Council Tax and caseload.

## Options

15. The officers involved with this project have considered a number of options taking into account the information provided by DCLG. These options have been considered taking into the technical reforms to council Tax as shown at Appendix A.

### **Option 1 – Maintaining the current scheme with the Precepting Authorities funding the difference between the grant and the actual cost.**

- a) This would be the easiest option to administer but has significant financial impacts for South Cambridgeshire District Council, Cambridgeshire County Council and the other major precepting authorities. For the South Cambridgeshire collection fund it is estimated that the cost could exceed £1 Million based on information to date; which is the disadvantage of this scheme. If all the billing authorities in Cambridgeshire were to adopt this approach the County would face a shortfall of circa £3 million per annum.
- b) This is the default schemes for authorities who do not agree a local scheme.
- c) The advantages to this scheme is that it is tried and tested and provides for vulnerable groups with increased personal allowances and disregards.

### **Option 2 - A scheme which delivers reductions in cost to fully mitigate the reduction in funding. Such a scheme would maintain the current level of support for pensioners and those considered vulnerable (e.g. the disabled and their Carers as well as Lone Parents with children under 5).**

- (a) The advantage of this scheme is that those in the most vulnerable groups are protected.
- (b) The disadvantage of this proposal is that those who are not in the protected group will suffer a reduction in assistance towards meeting their council tax bills (currently estimated at 55%).
- (c) There are a number of options which could be considered to target LCTS to the less well-off within the working age claimant group. It is proposed to seek views on these proposals through the consultation period and they include:
  - (i) Only consider applications from claimants with savings at an amount lower than the current limit of £16,000 e.g. £6,000
  - (ii) Restrict the level of support to the equivalent of a maximum Band e.g. Restriction to Band D
  - (iii) Increase reduction for non-dependants
  - (iv) End entitlement to second adult rebate
  - (v) Introduce minimum wage income level for self-employed e.g. at the National Minimum Wage.
  - (vi) Benefit period to start from date form received (No Backdating).
  - (vii) Introduction of minimum benefit awards.

- (d) Informally, Cabinet have considered a range of other options but have already indicated that these are unlikely to be supported. It is proposed that the consultation should seek endorsement of this approach. The options were:
- (i) include child benefit payments in the assessment of claimant's income
  - (ii) include maintenance payments in the assessment of claimant's income
  - (iii) include disability living allowance, or the equivalent, in the assessment of claimant's income
  - (iv) the setting of a maximum period for which any discount is receivable
- (e) It is proposed to consult stakeholders on the extent to which the scheme adopted should include earnings disregards to increase benefit entitlement for those working to encourage claimants to take up work, and the extent to which these should be short term or longer term.

### Implications

16.

Financial	<p>Government funding for the localisation of Council Tax reduction schemes will be cut by 10%. This will be based on 90% of forecast CTB expenditure for 2012/13. The funding will be an up-front allocation for all billing and major precepting authorities, and will not be ring-fenced. The Council will not receive confirmation of the grant receivable until late November, early December 2012 as part of the 2013/14 Formula Grant consultation.</p> <p>No account of unforeseen increased demand for support will be taken into account when allocating the grant. The proposed fixed grant to local authorities represents a significant financial risk, as it will not include any provision to manage increased take up which is likely to happen due to the number of new properties being built within South Cambridgeshire during the short and medium term.</p> <p>The Council will also receive funding for the administration of the new council tax reduction scheme. There will be an increase in the administration costs for the Council of the new scheme and it is not clear whether this will be fully funded. The Council has received an initial implementation grant but has not been given the details of the administration grant.</p> <p>The Council will have to design a new Council Tax reduction scheme that achieves a balance between delivering the expenditure reductions required and managing any adverse financial consequences on other council budgets, for example homelessness and, not least, the effect on council tax collection rates and the estimated increased cost of collection.</p>
Legal	The introduction of the local scheme is a result of introduction of Local Government Finance Bill 2012.

Staffing	<p>The impact of introduction of LCTS will significantly increase in the numbers of customer who contact the council. These contacts will need to be managed by the new internal Contact Centre and Benefits and Revenues teams and will provide a significant challenge.</p> <p>There are staff currently in receipt of CTB either from SCDC or their home authority; the impact on this group will be considered through the consultation process.</p>
Risk Management	<p>The transfer from CTB to localised Support for Council Tax Support means the impact of increased demand and cost will be a risk for all major preceptors</p> <p>The Council and its precepting partners will need to closely monitor local social and economic changes and ensure that there is a contingency for possible future shortfalls in funding. This may mean that the scheme designed needs to allow for these risks by designing a local scheme to allow for savings in excess of reduction.</p>
Equality and Diversity	<p>The impact of the new scheme will need careful consideration throughout the design and implementation of the new scheme. A thorough consultation and engagement process is being designed to support this. A full Equalities Impact Assessment will be prepared to support the proposed scheme both draft and final following the consultation process.</p>
Equality Impact Assessment completed	Yes partial is in draft form
Climate Change	N/A

### Consultations

17. The Council led two initial high level consultation events in April 2012 for voluntary bodies, Citizen Advice Bureau, Tenants Participation Group and other organisations representing possible affected residents of South Cambridgeshire.
18. These events have provided valuable feedback which has been taken on-board when designing the draft LCTS scheme.
19. Before the new scheme is finalised, the Council must in the following order:
  - (a) consult any major precepting authority which has power to issue a precept to it, and
  - (b) publish a draft scheme in such manner as it thinks fit, and
  - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme
20. It is proposed to consult with residents and stakeholders for an extended period starting on 23 July until 28 September 2012.

## **Consultation with Children and Young People**

21. A Youth Council briefing is planned for September.

**Background Papers:** the following background papers were used in the preparation of this report: Localising Support for Council Tax: A Statement of Intent, Localising Support for Council Tax: Funding arrangements consultation, Localising Support for Council Tax: Vulnerable people – key local authority duties, Localising Support for Council Tax: Taking work incentives into account

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