

## Bath & North East Somerset Council

MEETING: Council

MEETING DATE: 8th November 2012

TITLE: The Local Council Tax Support Scheme (LCTS)

WARD: ALL

### AN OPEN PUBLIC ITEM

#### List of attachments to this report:

1. Section 13 a Local Government Finance Act 1992 – Local Scheme
2. Public Consultation outcomes
3. Communications Plan

## 1 THE ISSUE

To consider the proposals for the new Local Council Tax Scheme (LCTS), that will replace the existing system of Council Tax Benefit (CTB) on 1 April 2013.

## 2 RECOMMENDATION

- That the Council

2.1 delegates authority to the Section 151 Officer of Bath & North East Somerset Council in consultation with the Cabinet Member for Community Resources to agree the recommendations of this report as soon as practicably possible, following the Royal Assent of the Local Government Finance Bill 2012, subject to no major changes to those already prescribed by The Department for Communities and Local Government.

2.2 Approves in principle the new Section 13a Local Government Finance Act 1992 Policy for Bath & North East Somerset Council as set out in Appendix 1, with the key changes to the previous Council Tax Benefit scheme set out in paragraph 5.6 and any changes resulting from consideration of the final requirements be approved as set out in 2.1 above

2.3 Agrees the vulnerable requirements of the scheme as detailed in paragraph 5.4

2.4 Agrees not to apply for additional voluntary discretionary grant funding for the reasons described at paragraphs 5.8 to 5.13

### **3 FINANCIAL IMPLICATIONS**

- 3.1 The cost of Council Tax benefits is met by Government but from April 2013 new local schemes are required and Government funding will reduce by about 10%. The gross cost of Council Tax benefits is presently about £11 million.
- 3.2 The Department for Communities and Local Government (CLG) proposals are for a 10% reduction in current funding levels nationally. However, due to the fact that Pensioner claims are protected and the way in which funding is allocated, Working Age Claimants in Bath & North East Somerset will be impacted by in excess of 22% to meet the difference.
- 3.3 In addition to this there is a need to build in a level of growth in pensioner population since these claimants are protected from any changes to the scheme, plus growth for increasing unemployment levels within the working age population, as well as an allowance for contingencies.
- 3.4 Based on these assumptions, in order to utilise the funding available, taking into account the impact of growth, the Council needs to commission a scheme that reduces costs by around £1.5million (gross) when compared to the current Council Tax Benefit scheme. This is referred to as a cost neutral scheme.
- 3.5 Recognising the current financial challenge faced by the Council it is already acknowledged that an option for a cost neutral scheme for Council Tax support is required.
- 3.6 By adopting a cost neutral scheme it should be noted that it is likely to prove more challenging to collect in certain cases and this will be considered in the tax base report.
- 3.7 The Council is committed to reducing Fraud and Error and has adopted changes that are simple to understand and administer and will provide resources to ensure Fraud and error are kept to a minimum.
- 3.8 There are limited implications on both Major Preceptors (Police & Fire Services) as a result of adopting a cost neutral scheme although the payment of grant will be made directly to them, which will result in a lower tax base and consequently a reduced precept demand.
- 3.9 In the case of Town/Parishes, the government has recently consulted on an option to provide protection by not adjusting their tax base for council tax support reductions. An announcement on the results of the consultation is expected in early November. As the Council is proposing a cost neutral scheme, it is anticipated that there will be no significant financial impact to the Council arising from this protection.

## **4 CORPORATE OBJECTIVES**

- 4.1 The requirement to deliver a Council Tax Support scheme with less funding at a time of severe budget pressures is a challenge.
- 4.2 The reason for considering incentives to work alongside protecting vulnerable people is to support the Council objective of:
- Building a stronger economy

## **5 THE REPORT**

- 5.1 The Local Government Finance Bill proposes to replace the current system of Council Tax Benefit with the Local Council Tax Support scheme in April 2013. It is expected that this Bill will receive its Royal Assent in mid - November 2012 and no later than the 5<sup>th</sup> December 2012.
- 5.2 The Government has specified that certain groups such as pensioners will be protected and should see no changes to their entitlement - however, it is up to each Council to consider whether to protect other groups - and how to fund any extra protections.
- 5.3 This scheme will protect claimants who are considered by the Council to be vulnerable
- 5.4 The Council has decided to define those who they consider as vulnerable as those in receipt of a :
- Support Component of Employment and Support Allowance (ESA)
  - Enhanced Disability Premium
  - Enhanced Disability for Dependants
  - Disability Premium for Dependents
  - Severe Disability Premium
- 5.5 The reasoning behind this decision is that those in receipt of the above premiums/components, are considered to be vulnerable as they are in need of care and support, and therefore could not be expected to work. Furthermore a concession in the scheme has been made for those households which include a disabled child.
- 5.6 The Council has decided to implement the following proposals for their Local Council Tax Support :
- Maximum eligible amount is reduced to 78%
  - Local Council Tax Support to pay to a maximum Council Tax band D
  - Withdraw Second Adult Rebate
  - Include Child Benefit and Child Maintenance as an income
  - Withdraw Underlying Entitlement
  - Capita/Assets over £6,000 will not be entitled to Local Council Tax Support
  - No longer apply non dependant deductions

- Withdraw entitlement to backdating.

5.7 The Council has undertaken the following steps to prepare the ground for the new scheme :

- Developed a policy under Section 13a of the Local Government Finance Act 1992, which will replace the Council Tax Regulations 2006, and will detail the rules for assessing the Local Council Tax Support and also incorporates the new proposals for the scheme. (as set out in Appendix 1)
- A Benefit and Public Consultation, between 6 August 2012 and 15 October 2012. ( The outcome of this consultation is shown in Appendix 2)
- A Communication Plan to fully inform all those affected by the changes in April 2013. (As set out in Appendix 3)
- The introduction of a Local Council Tax Support Project Team, with the dual aim of (i) preparing those claimants who will be adversely affected by the new scheme and (ii) to prepare the relevant staff of the Council to effectively implement the measures of the new scheme.

5.8 These changes are being brought about as part of the wider Welfare Reforms; they are also being enacted at a time when financial budgets are under very tight pressures.

5.9 Having regard to all Council Tax payers across Bath & North East Somerset the recommendations are made based on the principle that any scheme should be simple and equitable across all groups, it should seek to reduce impacts on work incentives where possible.

5.10 Consideration was given to a number of alternatives but it is felt that this scheme best meets the requirements as set out

5.11 The recent announcement of additional funding from Communities and Local Government has required us to re-consider the proposed scheme as described above. We have identified that in order to fund a cost neutral scheme next year we need a scheme which meets a £1,500,000 funding gap. Our share of this voluntary grant (including major preceptors) would be around £250,000

5.12 The grant can only be claimed after January 2013 and would be paid subject to satisfying criteria which is still ambiguous. Therefore, even if we adopted a scheme which meets with the minimum requirement of an 8.5% increase in charges and adopts an adjusted taper of 25% we would still have a shortfall in funding of at least £500,000 to £600,000. This is mainly due to the particular make up of our customer base and volume of Pensioner claimants who are protected by the scheme.

- 5.13 Due to the uncertainty of qualification and the degree of shortfall in funding it is recommend that the Council should not accept this grant offer and should continue with the scheme as proposed.

## **6 RISK MANAGEMENT**

- 6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2 The government has announced provisional grant allocations in respect of its funding to Local Authorities for c90% of the costs of the former Council Tax Benefit system, final grant allocations should be announced alongside the local government settlement in early December so there is the possibility of some change to the level of funding the Council will receive.
- 6.3 If there is material changes to the final grant allocations these will be taken into account by Cabinet as part of its final budget proposals for 2013/14.

## **7 EQUALITIES**

- 7.1 The proposed option will reflect most of the characteristics of the existing scheme but with greater simplicity and therefore should not have an adverse effect on people that are particularly vulnerable or have protected characteristics.
- 7.2 A full Equality Impact Assessment on Local Council Tax Support has now been completed and will continue to be reviewed.
- 7.3 The Council has also embarked on devising a register of Personas, as a demographic tool, to provide a profile of the various social groups within the community, which would in turn provide a snap-shot of how the Local Council Tax Support would impact financially on their lives and help influence decisions relating to wider welfare Reforms where discretion applies.

## **8 CONSULTATION**

- 8.1 Consultation has already been conducted with Cabinet Member; Trades Unions; Staff; Other B&NES Services; Service Users; Section 151 Finance Officer; Chief Executive; Monitoring Officer.
- 8.2 The Council started the consultation process by writing to all the customers who would be affected by the LCTS and a summary is shown at Appendix 2.

## **9. ISSUES TO CONSIDER IN REACHING THE DECISION**

*Social Inclusion; Customer Focus; Sustainability; Human Resources; Property; Young People; Human Rights; Corporate; Health & Safety; Impact on Staff; Other Legal Considerations*



## 10. ADVICE SOUGHT

The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	<a href="http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf">http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf</a> ( <i>Communities &amp; Local Government Consultation</i> ) <a href="http://services.parliament.uk/bills/2012-13/localgovernmentfinance.html">http://services.parliament.uk/bills/2012-13/localgovernmentfinance.html</a> ( <i>Local Government Finance Bill – Timetable</i> ) <a href="http://www.communities.gov.uk/publications/localgovernment/localingsupportcounciltax">http://www.communities.gov.uk/publications/localgovernment/localingsupportcounciltax</a> ( <i>Statement of Intent</i> )
<b>Please contact the report author if you need to access this report in an alternative format</b>	