

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 21 AUGUST 2012

Title of report	LOCALISATION OF COUNCIL TAX SUPPORT
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To report back to Cabinet seeking endorsement of the delegated decision to publish the draft scheme for the localisation of council tax support.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Financial issues are contained within the report.
Link to relevant CAT	None.
Risk Management	There are significant financial risks to manage which will continue to be fully considered during the design of the scheme.
Equalities Impact Assessment	Will be required.
Human Rights	No implications.
Transformational Government	No implications.
Comments of Head of Paid Service	The report is satisfactory

Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Background papers	Consultation http://www.nwleics.gov.uk/news/2012/07/31/have_your_say_on_changes_to_council_tax_support
Recommendations	THAT CABINET ENDORSES THE DECISION TAKEN UNDER DELEGATED POWERS TO PUBLISH THE DRAFT LOCAL COUNCIL TAX SUPPORT SCHEME FOR CONSULTATION

1. INTRODUCTION

- 1.1 The Council has been working with the other Councils within Leicestershire as well as Rutland Council to provide detailed modelling on a number of draft schemes to implement the new localised support for council tax. An external organisation was appointed to assist with data modelling for the draft schemes.
- 1.2 At its meeting on 17 July, Cabinet delegated powers to the Section 151 Officer in consultation with the Corporate portfolio holder authority to decide upon the scheme for localisation of council tax support upon which to consult the public.
- 1.3 Detailed analysis of the scheme options was received from the consultants in late July. These were considered by the Leicestershire District Councils/Rutland and a common preferred option agreed upon. Consultation started on 2nd August on the recommended scheme to enable the Council to meet the statutory deadlines.

2. BACKGROUND INFORMATION

- 2.1 As part of the Government's Welfare Reform programme, from April 2013 Council Tax Benefit, the current means of helping people on low incomes meet their Council Tax obligations, will be replaced by a new localised support scheme defined by each Council.
- 2.2 The Government has stated that pensioners will be protected from the effects of the local schemes by a national framework of rules and eligibility. Working age claimants not being the subject of national rules and eligibility will however be subject to the provisions of the locally defined scheme and not a national framework. The current government grant is being reduced nationally by an average of 10%.
- 2.3 The Council is required to publish details of its proposed draft scheme and some of the contents of the document will be by its very nature, technical in detail. However, we are providing examples of how the proposals may affect entitlement in comparison to the existing Council Tax Benefit scheme via our web page.

2.4 The Local Government Finance Bill contains provisions for the localisation of council tax support in England by imposing a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme.

2.5 Draft Published Scheme

2.5.1 The Cabinet was provided with various options at its last meeting and the scheme selected for publication is, as expected, a hybrid of these options. The Section 151 Officer consulted the Corporate Portfolio holder on 1 August 2012 and the draft scheme was published on 2 August 2012

2.5.2 The details are attached at Appendix 1 and summarised below:

Under the current Council Tax Benefit scheme entitlement is based on 100% of the household's Council Tax liability. Under these proposals we intend to achieve savings in relation to the Local Council Tax Support Scheme (LCTSS) by capping the liability used in the calculation. This will reduce the amount of support paid. The cap rate range locally is proposed to be between 75% to 90% as this will allow councils within the LTA to set a rate suitable for local needs and demographics.

2.6 Additional Options

2.6.1 This Scheme offers Councils the opportunity to be flexible to suit local needs. Councils can choose to add, remove or vary items from the additional options to tailor their scheme. For example, a council might choose to continue to operate an extended payment scheme to support customers returning to work. Examples of additional options are outlined:

Local Option	Comments
Vary existing 20% taper	Tapers reduce discount for claimants with income above their needs allowance. Increasing tapers will deliver savings but this may act as a work disincentive.
Retain extended payments	This is a low cost option to support people starting work and acts as a work incentive.
Introduce capping by valuation band	Awards are limited to lower Council Tax bands providing LCTSS savings.
Reduce earnings disregards	Income disregards are lowered to increase income used in calculations but can act as a work disincentive.
End second adult rebate scheme	Easy savings to deliver and tax likely to be recovered but savings achieved will be small.
Reduced unearned income disregards	Savings could be achieved but this would need to be carefully considered against equality legislation in relation to child poverty and disabilities.
Increase non dependant deductions	Increase the amount of deduction made for other adults living in the household but may only deliver small to modest savings.
Decrease savings limit or modify tariff incomes.	Excludes or reduces LCTS entitlement for claimants with a range of savings above £3,000.

3. RISK MANAGEMENT IMPLICATIONS

3.1 Technical

3.1.1 IT systems will have to be modified and will be importing data from other external agencies. There is the potential for data mismatch or errors resulting from inaccurate information. IT suppliers may struggle to deliver thoroughly tested modifications to systems in time for the implementation date. This makes it essential that a new scheme is adopted at an early stage and that there is a robust implementation plan.

3.2 Collection Rates

3.2.1 For this council roughly half of benefit claimants (non-pensioners) will have to absorb all of the Government's reduction in support. Simply put, the average reduction would be nearer to 20% than 10%. For some people Council Tax bills will increase considerably which will adversely affect their ability to pay and could impact on collection rates, arrears and bad debts. The Council is seeking a financial contribution from the major precepting authorities towards any additional costs of collection.

4. CONSULTATION

4.1 The Council has been consulting informally with the major preceptors – County, Police and Fire & Rescue for a number of weeks. More formally, the Chief Executives of all the Leicestershire District Councils wrote to all the major preceptors on 27 July seeking their views on scheme options.

4.2 The Cabinet was informed at its last meeting that in order to consult adequately and still meet budget process deadlines the public consultation would need to start in early August; therefore the decision could not wait until the next Cabinet meeting. The public consultation started on 2 August and closes on 28 September. Following that the responses will be summarised for the Council and included in a report to Cabinet on 23 October which will make a recommendation to Council for approval of the scheme commencing 1 April 2013.

4.3 The public consultation is partly web-based but the Council will also be writing to all current Council Tax Benefit claimants and will include discussion at a number of public meetings. The Policy Development Group will be asked for its comments at its meeting on September 11th.

5. FINANCIAL IMPLICATIONS

5.1 The Government Grant will be fixed but demand is not. Changing demographics or unexpected consequences of the scheme design could mean Council Tax Support awarded is more than anticipated and hence Council Tax collected and distributed will not equate to that budgeted for.

5.2 The net cost for this Council would be approximately £83,000 to continue the current level of support. This is not a huge sum in itself but comes on top of other reductions in Government funding, is likely to increase in size in future years if demand and Council Tax levels increase. Effectively it means that all Council Tax payers would be subsidising the local support scheme through their Council Tax. If a local scheme is introduced at

reduced cost it would be possible to save the money which the Government is withdrawing but there is a risk of lower collection rates, arrears and bad debts.

6. TIMETABLE FOR IMPLEMENTATION

17 July	Cabinet	Delegates authority to publish scheme for consultation
Early August	Portfolio Holder/s151 Officer	Publishes scheme for consultation
21 August	Cabinet	Report back on publication of Draft Scheme
11 September	Policy Development Group	Scrutinises Draft Scheme
23 October	Cabinet	Recommends new scheme
30 October	Council	Approves new scheme
11 December	Cabinet	Approves Council Tax Base and preceptors advised

Proposed schemes: Law and Legal Context

The scheme explained here is proposed as the Council's Council Tax Support (CTS) scheme to apply from April 2013. The CTS scheme is proposed, and will be finalised subject to the Council's duties for local welfare support under provisions including:

- The Welfare Reform Act 2012;
- The Localism Act 2011;
- The Equalities Act 2010; and
- The Local Government Finance Bill; and
- Regulations laid under the appropriate provisions and governing the administration, design and implementation of CTS, including the proposed Council Tax Reduction Schemes (Prescribed Requirements) regulations.

Overall provisions: Universal Credit

From October 2013, the national implementation of Universal Credit begins. The Council's approach to CTS may include provisions which are designed to deliver consistency with national schemes of welfare benefit including Universal Credit. The provisions which the Council may include within the CTS in this regard include, but are not limited to:

- the basis under which entitlement to Universal Credit is treated as a valid claim for CTS in accordance with the Council's scheme;
- the treatment of Universal Credit as income within the Council's scheme; and
- the means by which the Council sends and receives information in relation to successful claims for Universal Credit, and the basis on which that exchange of information is treated as valid for the purposes of the Council's scheme.

The CTS Scheme: Maximum Entitlement

The Council proposes that the CTS will be a means-tested discount calculated within the framework of means testing provided by the Council Tax Benefit system. Unless otherwise provided for by the Council's scheme, or by the provisions above including the Local Government Finance Act, the rules which apply under the Council Tax Benefit calculation apply for the Council's administration and calculation of CTS, including but not limited to the eligible person; the time and manner of claim; the calculation and determination of income; the calculation and determination of capital; non-dependant deductions; extended payment of benefit; benefit periods; treatment of passported claims; the value and application of tapers; the value and application of premiums; the calculation and recovery of overpayments; the management and administration of fraud and error; the management and administration of Subsidy and reporting; and other matters under the calculation determination and payment and recovery of Council Tax Benefit.

The Council proposes that the CTS scheme will apply a maximum eligible amount of Council Tax at between 75 and 90 % of total Council Tax. The Council proposes that the maximum amount of eligible Council Tax under the scheme will apply to all applicants for CTS

The maximum amount of Council Tax which may be awarded under the CTS will be limited in one or more of the following ways:

1. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is to be set between 75-90%

2. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is restricted to the amount of Council Tax due for the year under the Council's determinations under the Local Government Finance Act 1992 and set at Band D of the Council's Tax calculations.

The Council proposes that in all cases, in the event that the calculation of award shows that the award will be less than or equal to an amount of £5 per week then no award of CTS under the Council's scheme will be payable.

The CTS Scheme: Other Determinations

The Council proposes that the CTS scheme may additionally make provisions in relation to the award of CTS in the following circumstances:

1. The amount of capital held: the scheme may make provision for those holding capital to be ineligible to receive CTS, and may determine that limit at a lower rate than the current limit of £16,000;
2. The application of the taper: the scheme may make provision for the application of a different taper, above the current taper which is applicable for income above the minimum amount, and which is currently applied at 20%;
3. The amount payable in respect of non-dependant deductions: the scheme may make provision for the application of different non-dependant deductions, applicable for other adults living at the property; and
4. Second Adult Rebate: the scheme may make provision for the removal of Second Adult Rebate.
5. Child benefit disregard: the scheme may make provision for the limitation of the child benefit disregard to the first child only.
6. The treatment of maintenance for children: the scheme may make provision for the application of a different disregard rate for income for the maintenance of children which is currently fully disregarded.

Vulnerable People

The Council proposes that the scheme will operate a discretionary fund to provide additional support for the most vulnerable in society. The discretionary fund policy will determine who may be either fully or partially protected from the costs of the Council's CTS scheme. The Council's determination of "Vulnerable People" may include people with disabilities; people with responsibilities as carers for disabled or elderly people; people with responsibility for young children; people facing the risk of homelessness; or people for whom the Council has a duty under the Armed Forces Covenant.

The Council's scheme will provide the rules by which people are to be considered within this paragraph, which may include their qualification for identified benefits; their situation; their qualification for compensation payments; or otherwise under the Council's CTS scheme.

Approach To Modelling and Costings

The Council's scheme design summarised within this paper is underpinned by detailed costing, research, analysis and modelling which remains ongoing while the determination of the rules to be

followed by the Government is completed. The Council has calculated that the scheme described may be capable of delivering the savings required in 2013/14 based on the indicative funding figures provided by central government.

There are two key variables which the Council will model within the final scheme design, and following consultation:

- the variables within the model of CTS which will be applied by the Council and outlined above; and
- the cost to the discretionary fund scheme of protecting “Vulnerable People”.