

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting9th August 2012

1. Title of Item/Report

Local Council Tax Support Scheme

2. Record of the Decision

Members considered a report that outlined the requirements for the Council to develop and consult upon a Local Council Tax Support Scheme to replace Council Tax Benefit from 1 April 2013. The report also outlined the financial implications on both the Council and local tax payers and the demanding timescales for implementation of the local scheme.

It was explained that the Welfare Reform Act 2012 contained provision to abolish the present national Council Tax Benefit Scheme and replace it with a localised system of Council Tax Support provisions. The scheme had to be introduced by 31 January 2013.

Members noted the required features of the scheme and it was explained that the Council was required to publish a draft scheme, consult with the Police and Fire Authorities and such other persons as it considered were likely to have an interest in the operation of the scheme.

It was proposed that the consultation period would run from 13 August to 19 October, a total of 10 weeks. Following this the draft scheme would be amended where necessary before proposals were presented to Cabinet on 29 November 2012.

Members noted the implications of the Local Council Tax Support Scheme and it was explained that the introduction of the scheme, in 2013/14, was likely to create a pressure of £2.6m.

There were no indications that there would be an increase in any Council Tax Benefit Grant and the Council would therefore bear the risk of any increase in claimant numbers/take up.

A 5% increase in benefit take up would result in additional costs of approximately £700k and it was suggested that a contingency would need to be included in the medium term financial plan.

It was explained that there was also an impact on the current level of Council Tax income included in the Medium term Financial Plan. A 3.5% increase was assumed in each year and this was on the current tax base (effectively for benefit claimants, Council Tax increases were currently funded by benefit grant). Members noted that once the new tax base was taken into account, this would reduce the council tax income by approximately £550,000 per year (rising to £2.3m by 2016/17). Members were provided with a summary of the financial implications detailed above:

	Government Benefit Grant Reduction	£2.6m
	Reduction in Tax base	£0.55m
	Growth Contingency	
£0.7m	Total	£3.85m

Members were reminded of the current projected budget gap, outlined in the 2012/13 budget report (£11.6m by 2016/17) and a range of uncertainties surrounding Local Government Finance. The above pressures would add to that gap and this would need to be considered further as part of the development of the 2013/14 budget report.

With potentially 12,000 Council Tax payers on lower incomes facing increased bills or the prospect of starting to pay Council Tax, there would be a negative impact on collection performance and an increase in the costs of collecting Council Tax estimated at £100,000. Some of these additional costs recognised the need to take a more proactive approach to collection and recovery. The longer the delay in identifying and addressing non-payment, the harder it was to collect, and the greater the potential costs to customers (court costs/bailiff costs). In terms of customer care and collection performance, it was considered essential that customers facing financial difficulties were identified and engaged with as soon as possible so that they could be provided with advice and/or signposted to appropriate support services.

Cabinet noted that various organisations were indicating that the financial impact on Councils, of introducing the scheme could be mitigated by changes to Council Tax discounts and exemptions on empty dwellings. This option could be open to Authorities when the Local Government Finance Bill received Royal Assent in the autumn, but was not linked to the changes in Council Tax Benefit. Changes to such discounts and exemptions could generate the Council around £1.3m per annum. This issue was currently being considered as part of a scrutiny review of empty properties.

Cabinet noted that the timetable for implementation was extremely tight and members were provided with major milestones ending in Council's approval of the scheme in January 2013

. Built into this timetable was the requirement to specify, procure, install and test software, to reassess 22, 000 existing council tax benefit claims, to assess these claims, notify claimants of their new entitlement all in time for annual billing late February 2013 and deal with resulting enquiries.

There would appear to be strong financial and delivery benefits in developing a scheme which would be based upon the components of the present council tax benefit scheme.

In 2011/12 Council Tax benefit payments (including Police and Fire) amounted to £16.8 million net. This included £40,900 paid out as Second Adult Rebate. The required 10% saving was thought to therefore be approximately £1.68 million. A contingency would be required for increased demand/ take up for the new scheme, and also to take account of future pensioners who would also receive the higher rates of support.

Based on 2011/12 figures the burden of the 10% savings would fall on 56% of the caseload (by expenditure) who are working age.

Members considered scheme modelling and a number of options were presented for consideration.

- Option A – Continue to operate the current Council Tax Benefit Scheme on a local basis and fund any shortfall.
This would be the same as the “default scheme” which would be put in place if any local authority fails to adopt a scheme by 31st January 2013.
- Option B – Saving to be fully spread across the full working age caseload (the “Shared Reduction” option)
 - All working age claimants would have a percentage of the charge to pay, achieved by either reducing the percentage liability on which the calculation was based, or reducing the final entitlement figure by a percentage. Indicative calculations show that a starting point of 80% liability would achieve the 10% saving required.
- Option C – Protect entitlement levels for specific vulnerable groups with increased reductions in entitlement for others

This option would mean that people in “vulnerable groups” would have no additional Council Tax to pay. It is up to council's to decide what

“vulnerable groups would be locally but these might be:

- o Single parents where the youngest child is under 5;
- o Carers
- o Disabled People.

People not in vulnerable groups would be able to claim support based on a much lower liability level.

The current council tax benefit scheme included provision for Second Adult Rebate, which was paid to lone council tax payers who did not qualify for a 25% Single Person Discount because another person (a second adult with a low income) lived in their property. A “better buy” calculation was carried out in all claims for council tax benefit to determine whether someone would be better off claiming second adult rebate rather than main council tax benefit. Second adult rebate was not easily understood and nationally, take up rates were very low. The saving was estimated at 0.25%.

Taking into account the available evidence the agreed approach was for Option B the “Shared Reduction” option, together with the abolition of Second Adult Rebate, as although the financial benefits were limited it would simplify the local scheme.

A number of case studies were provided to Members to indicate the effect of the scheme on certain individuals. There were also details of the effect of the minimum 20% contribution to council tax at each Council Tax band.

A draft of the proposed LCTS scheme was provided to members. In developing a draft of the new scheme the following principles had been followed:-

- Everyone of working age should pay something
- Support should be targeted to council tax payers with low incomes
- Other adults in the household should be expected to contribute to council tax
- The scheme should incentivise work
- The scheme should be based on key features of the present housing benefit scheme.

A draft consultation plan was provided, together with a draft consultation document. A copy of the Equality Impact Assessment was also provided.

The introduction of the LCTS scheme would impact upon low income residents in the borough, with 6,600 residents being required to pay council tax for the first time, and a further 6,100 required to pay an increased amount. For those that found themselves having to pay for the first time, a wide range of payment methods were available including cash/cheque/debit or credit card at one of the Council's cash offices, through the internet, cheque through the post, direct debit/standing order, over the telephone or at local Post Office and Payzone outlets. In addition to the statutory 10 monthly payments, Council Tax payers could arrange to pay on a weekly, fortnightly or 12 monthly basis. Many of these people would also be affected by the wider welfare reforms and already be dealing with reductions in other benefits. Members approved the provision of £85,000 per annum for two years to provide advice and support to residents affected. It was agreed that details of the most appropriate means of providing this support would be developed for approval by the Corporate Director of Development and Neighbourhood services in consultation with the Cabinet Members for Housing and Community Safety and Corporate Management and Finance.

RESOLVED that

1. Consultation on the draft Local Council Tax Support Scheme, at Appendix 3 of the report and the draft consultation plan and document, at Appendices 4 and 5, be approved. Approval of the consultation documents and approach be delegated to the Corporate Director of Resources, in consultation with the Cabinet Members for Housing and Community Safety and Corporate Management and Finance.

2. The provision of approximately £85,000 per annum, for two years, be approved to fund additional advice and information provision in the borough to support residents affected by reductions in income. Approval of the final approach and implementation be delegated to the Corporate Director for Development and Neighbourhood Services, in consultation with the Cabinet Members for Housing and Community Safety, Corporate Management and Finance and Access and Communities.

3. Reasons for the Decision

The Local Government Finance Bill imposes a duty upon local councils to adopt a Local Council Tax Support scheme to replace Council Tax benefit when abolished in April 2013. Public consultation must take place prior to the approval of the final scheme. A draft LCTS scheme had been developed, having considered a number of options, which would help to safeguard the financial position of the council whilst trying to ensure that

the effect of the scheme would not disproportionately affect any particular group of residents.

4. Alternative Options Considered and Rejected

Options A and C, as per para 21 of the report, and described above.

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

Not applicable

7. Date and Time by which Call In must be executed

Midnight on Friday 17 August 2012

Proper Officer
13 August 2012