

AGENDA ITEM

REPORT TO CABINET

29 NOVEMBER 2012

**REPORT OF
CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/ COUNCIL DECISION/ KEY DECISION

**Housing and Community Safety – Lead Cabinet Member – Councillor Nelson
Corporate Management and Finance – Lead Cabinet Member – Councillor
Harrington
Access and Communities- Lead Cabinet Member – Councillor Coleman**

LOCAL COUNCIL TAX SUPPORT SCHEME - CONSULTATION

1. Summary

The report provides details of the results of public consultation on the draft Local Council Tax Support scheme to replace council tax benefit. Sufficient responses were received from the consultation to provide statistically significant responses which showed the majority in agreement with all 7 principles of the scheme.

2. Recommendations

- 1) That Cabinet consider the responses to the consultation exercise.
- 2) The draft Local Council Tax Support Scheme, as consulted upon, be recommended for approval at full Council. Authority to make any required changes to the scheme prior to the Council meeting to be delegated to Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet members for Housing and Community Safety and Corporate Management and Finance.
- 3) That, subject to appropriate legislation, the LCTS scheme for pensioners makes provision for a full disregard of military compensation payments, and that this be recommended for approval at full council.
- 4) That Cabinet note the position with regard to additional government support and agree not to pursue this for the reasons identified in the report.

3. Reasons for the Recommendations/Decision(s)

The Local Government Finance Act imposes a duty upon local councils to adopt a Local Council Tax Support scheme to replace Council Tax benefit when it is abolished in April 2013. Public consultation has taken place on the draft LCTS scheme and shows a majority of respondents in agreement with the principles behind the draft scheme. The draft LCTS scheme was developed, having considered a number of options, which will help to safeguard the financial position of the council whilst trying to ensure that the effect of the scheme will not disproportionately affect any particular group of residents.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in paragraphs 9 and 11 of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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Recommendations

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- 3) That, subject to appropriate legislation, the LCTS scheme for pensioners makes provision for a full disregard of military compensation payments, and that this be recommended for approval at full council.
- 4) That Cabinet note the position with regard to additional government support and agree not to pursue this for the reasons identified in the report.

BACKGROUND

Draft Scheme

1. At the meeting of 9 August 2012 Cabinet members approved a draft Local Council Tax Support (LCTS) Scheme for public consultation. The report explained that the present council tax benefit scheme is being abolished with effect from 1 April 2013 and that each council must adopt a local replacement by 31 January 2013. Pensioners must receive the same level of support under LCTS schemes as they do under the present statutory scheme, but councils are free to design schemes for working age people as they see fit, subject to a number of prescribed requirements.

2. A key change is that whilst the present scheme is demand led, and fully funded by the Department for Work and Pensions, the new scheme will be funded by a fixed grant at a level at least 10% below that of estimated expenditure.

3. Members considered a number of options for the LCTS Scheme:-
 - Option A :- Continue to operate the current council tax benefit scheme and fund any shortfall. This is the equivalent of a “default” scheme which will be imposed by government on any council which fails to adopt a LCTS scheme by 31 January 2012.
 - Option B :- The funding shortfall to be spread across the working age caseload – the “shared reduction” option. In this option all working age claimants would have a minimum percentage of the council tax to pay. A figure of 20% was calculated as achieving the level of saving required.
 - Option C:- Protect entitlement for people in certain vulnerable groups with higher reductions in entitlement for others. This option would mean that people in vulnerable groups would have no additional council tax to pay. There is no definition of vulnerable groups set by government so local councils would need to set their own.

4. Taking into account available evidence Cabinet members approved a draft scheme for public consultation, based upon option B, together with the abolition of second adult rebate and an increase of £5 per week in standard earnings disregards.

5. The report also explained that the timetable for implementation of LCTS is extremely tight, as illustrated below:-

Approval of draft scheme for public consultation by Cabinet	9 August 2012
Public Consultation & consideration of responses	13 August to 19 October 2012
Preparation of Final Scheme	October/ November
Approval of Scheme by Cabinet	29 November 2012
Full Council approval	23 rd January 2013
NB ensure appropriate IT system is in place to enable bills to be produced	End January 2013

6. A period of public consultation of 10 weeks from 13 August 2012 to 19 October 2013 was approved in order to allow sufficient time for the analysis of public responses prior to this second report to Cabinet.

7. Legal advice was that consultation should take place with those who are liable for Council Tax, rather than restricting consultation solely to those residents currently in receipt of council tax benefit. The rationale is that if, for example, the Council took the decision to go to the default position rather than choose a local scheme then this would impact on the wider council tax base as the Council would have to either find reserves to meet the gap or potentially look for savings in other areas of the Council affecting all council

tax payers. The approved consultation plan included a number of engagement routes. Responses from each of the routes have now been analysed.

Questionnaire

8. In order to include as many residents as possible in the consultation paper questionnaires were delivered via the Herald and Post network to households in the borough, rather than restricting the questionnaire to an online version. The survey was also made available via the internet.
9. In total, there were 1,417 unique responses to the LCTSS consultation by the closing date of 19th October 2012. The total number of Council Tax bill payers in Stockton-on-Tees is 80,753. With a confidence level of 95%, the actual sample of 1,417 means that overall, the consultation results are (if all Council Tax bill payers were to respond to the consultation as invited) statistically likely to be representative of the entire population's response to the consultation plus or minus a 'confidence interval' of 2.86
10. Results show that there was a majority response in agreement with all 7 principles:-

Principle	% in agreement
Principle 1	71.1%
Principle 2	90.7%
Principle3	79.3%
Principle 4	65.8%
Principle 5	72.9%
Principle 6	63.6%
Principle 7	70.1%

Results for all principles are analysed at Appendix 1.

11. Analysis has also taken place weighting the results to reflect the relative numbers of council tax benefit claimants in the general population and again the results show overall majority support for all principles.
12. Analysis has also been carried out to examine the results for working age council tax benefit claimants only- those people who would be asked to pay more under the new proposals. The results showed majority support for all but principles 1 and 4:-

Principle	% in agreement	%disagree
Principle 1	35.1%	51.8%
Principle 2	91.3%	3.5%
Principle 3	91.4%	6%
Principle 4	35.1%	46.5%
Principle 5	43.9%	34%
Principle 6	66%	8.9%
Principle 7	76.5%	13.9%

Open Questions

13. The questionnaire also asked two open questions. The first, question 3 asked “Briefly tell us why you have answered the above questions as you have?” Free text responses have covered a wide variety of themes and an analysis of the main themes is attached as appendix 2. Question 4 asked “Please provide brief details of any other comments or alternative suggestions you would like to make about the proposed principles?.” There has been a broad overlap in the theme of responses with those of Question 3, and an analysis of the main points raised in question 4 is attached as appendix 3.

The most frequently mentioned issue related to support for the principle that everyone should contribute to council tax. There were other comments that related to benefit remaining household based and others which specifically referred to “poll tax” possibly reflecting some confusion over the scope of the consultation. This has also been a comment made regularly in media coverage of the reforms. Other frequently made comments have related to the capital limit, and in particular that help should be assessed based on income alone, or that the limit should be higher. There is also a strong view that help should be targeted to those in need, and that safeguards should be in place to prevent fraud. A number of comments were made relating to work incentives with a mix of support for the proposals and concern that there were in fact few jobs available. A number of alternative suggestions were made in response to question 4, but generally have related to issues outside the council’s control, such as changes to council tax, the general welfare benefit system or general taxation.

Partnership and Consultation Events

14. Five public consultation sessions were held over the wider geography of Stockton. Whilst these events have not been very well attended (19 people/representatives attended) the detailed conversations held provided an opportunity to give individual advice to residents or to clarify the intentions of the scheme. Residents were then encouraged or assisted to complete the questionnaire to capture their views. Information on the draft scheme and consultation was also shared with a range of partnerships and groups (as identified in the consultation and engagement plan) to raise awareness and signpost to the consultation. A log of the meetings and events attended is attached at Appendix 4. The log also includes text of 3 consultation responses received directly rather than via the questionnaires.

Precepting authorities

15. Officers held a meeting with Town Councils on 12.09.12 and attended the Parish Council Liaison Forum on 18.09.12. Following a brief introduction about the background to the changes and the draft LCTS scheme, there was discussion about the potential financial implications for town and parish councils. Attendees were also made aware of a Government consultation paper on this issue. There were questions about the timescales for the parishes to be advised of their new taxbases in order to set their precepts. An offer was made to supply estimated taxbase figures in advance of the publication of new taxbase regulations if individual parish councils thought these would be helpful and wanted to request them.

Police and Fire Authorities

16. Police and fire authorities are statutory consultees, and were consulted during the development of the scheme proposals, and again following the start of the public consultation period. At the consultation meeting held on 12 June 2012 during development of scheme proposals both authorities indicated that they had no objections to the “shared reduction” proposal. Information relating to the draft scheme and public consultation process has been shared with both authorities. A further meeting was held on 9 November 2012, jointly with the other Tees Valley authorities and the precepting bodies. At that meeting each authority’s proposals and impacts on the council tax base were outlined. Further discussion took place around the potential impact on collection rates. A further meeting is planned for January 2013.

Software Supplier

17. Given the very tight timescale for implementation of the changes the council’s software supplier has been included as a consultee in these proposals. They have confirmed that they will provide the appropriate software which can be tailored by users to meet requirements of their local schemes. All requirements of Stockton’s draft scheme can be met through this software. It is intended to release software for testing in December 2012. Costs of the software can be met from the DCLG implementation grant.

Military Compensation Payments

18. A letter has also been received from the Royal British Legion urging that 100% disregard is provided for military compensation payments, which include war widows and war disablement pensions. Members will be aware that such an enhancement to the housing and council tax benefit schemes has been operated in Stockton for over 20 years, and the proposed LCTS scheme for working age claimants does include provision for 100% disregard of such payments. The regulations for the national pensioner LCTS schemes are not yet available but DCLG have given assurances that local authorities will be given powers to continue to provide for a 100% disregard of military compensation payments within the pensioner LCTS scheme. It is therefore recommended that this provision is included in the draft scheme for pensioner claimants, subject to the appropriate legislative powers being made available.

Financial Implications - Funding the Local Scheme

19. At their meeting of 9 August members considered a full financial appraisal of LCTS proposals including details of the impact on the Medium Term Financial Plan (MTFP)

20. On 16 October 2012 DCLG announced an additional £100million of funding for councils to help support them in developing well-designed council tax support schemes and maintain positive incentives to work. The new voluntary grant is intended to encourage “best practice” and will be available to councils (billing and major precepting authorities) who choose to design their local schemes so that:

- those who would be on 100 per cent support under current council tax benefit arrangements pay between zero and no more than 8.5 per cent of their council tax liability;
- the taper rate does not increase above 25 per cent;

- there is no sharp reduction in support for those entering work
21. The statement also indicates that “Councils will rightly want to avoid collecting small payments, and it may consequently be better value for money for councils to avoid designing schemes which seek to do so.” The grant is available for one year only to allow local authorities time to “explore more sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers.” Clearly there is an encouragement for councils to identify savings elsewhere and not to pass on the funding reduction to people claiming council tax support.
 22. Councils must make application for the grant after 31 January 2013, following scheme approval. Stockton’s proposed scheme does not meet the requirements, in that it is proposed that those currently receiving 100% support would have to pay 20% of their council tax liability. The additional cost of meeting the grant requirements have been calculated and are detailed below:-

Additional cost of scheme for max. 8.5% contribution	£1,283,571
Maximum grant (SBC plus preceptors)	£398,015
Additional cost to be met by SBC	£885,556
 23. Introducing a maximum contribution of 8.5% would equate to a council tax bill of £86 per year for a person living in a Band A property. Overall there would be around 6600 additional bills issued for less than £100 per year.
 24. Given the additional financial pressures that would arise from securing this grant it is not recommended that Stockton makes an application for this funding.

Resident Support

25. The introduction of the LCTS scheme will 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 find themselves having to pay for the first time, a wide range of payment methods are 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 Pay zone outlets. In addition to the statutory 10 monthly payments, Council Tax payers can arrange to pay on a weekly, fortnightly or 12 monthly basis. Many of these people will also be affected by the wider welfare reforms and already be dealing with reductions in other benefits.
26. At their meeting of 9 August members approved the provision of £85,000 per annum for two years to provide advice and support to residents affected, with details of the support arrangements to be developed by officers. These arrangements have now been made with provision for:-
 - 1.5 additional temporary staff for 6 months in the council’s customer services team to help deal with the anticipated increased volume of calls and visits.
 - 1 fte in the council’s welfare rights service to undertake targeted take up work initially on Disability Living Allowance for those nearing 65. From May 2013 they will also target Personal Independence Payments for

Mental Health Clients. Take-up on pension credits will also be a part of this role

- I fte in Stockton and District Advice and Information Service to carry out take up work in areas of the borough most affected by welfare reform.

27. The introduction of LCTS is just one of a raft of wider welfare reform changes to be introduced in 2013, and many residents will be affected by more than one change. Key to supporting affected residents will be ensuring as many front line staff from both within the Council and other partner organisations such as health, registered providers etc have a reasonable level of awareness about the proposed welfare changes. A communications group has been established to consider how best to impart information to staff and also those directly affected and a communications plan is currently being produced. It is anticipated that the Council's website will be utilised in addition to producing briefing materials for staff, an article in the March edition of Stockton News and some drop in sessions for the public.

Ward Level Information

28. Some further analysis has been carried out showing the numbers of households affected by the proposals within each ward in the borough. Details of numbers affected can be found in the table below, and Appendix 5 contains a map highlighting the working age households likely to be affected by the proposals. The table also indicates the numbers of people in each ward who claim housing benefit in addition to council tax benefit. These residents may be affected by changes to housing benefit from April 2013 as well as the LCTS changes.

Table 1– Numbers of Council Tax Benefit claimants by ward.

Ward	No of Claimants	Pensioners	Working age	Joint housing benefit case
Billingham Central	1210	556	654	883
Billingham East	1304	491	813	976
Billingham North	495	259	236	215
Billingham South	976	432	544	786
Billingham West	303	215	88	72
Bishopsgarth & Elm Tree	558	342	216	311
Eaglescliffe	587	320	267	273
Fairfield	408	267	141	134
Grangefield	446	250	196	222
Hardwick	1578	625	953	1361
Hartburn	316	207	109	78
Ingleby Barwick East	315	124	191	144
Ingleby Barwick West	245	53	192	104
Mandale & Victoria	2041	765	1276	1662

Newtown	1478	376	1102	1210
Northern Parishes	72	37	35	40
Norton North	1079	452	627	801
Norton South	962	368	594	648
Norton West	377	266	111	127
Parkfield & Oxbridge	1321	338	983	1024
Roseworth	1234	571	663	885
Stainsby Hill	1087	481	606	786
Stockton Town Centre	2031	641	1390	1853
Village	984	466	518	659
Western Parishes	199	120	79	107
Yarm	519	302	217	314

Next Steps

29. The Local government finance act received Royal assent on 31 October 2012. Regulations are still awaited. An indicative timetable for publication of regulations relating to the various aspects of the scheme is as follows:-

End of November

- Prescribed Requirements
- Default Scheme
- Council Tax Base

End of the year

- Fraud

End of January 2013

- Transitional
- Admin & Enforcement

End of February 2013

- Funds
- Contracting Out
- Appeals
- Data Sharing

30. Public consultation has been based upon a “plain English” draft of the LCTS scheme. A more technical version, based upon the final regulations, will be drafted for approval by Council on 23 January 2013.

FINANCIAL IMPLICATIONS

31. Current Scheme is demand led and fully funded by DWP; In future this will be a fixed grant. Paid out £16.8 million in 2011/12 (including Police and Fire) £13.9m in respect of Stockton. 10% reduction would have resulted in a grant of £12.5m, a reduction of £1.4m. A scheme to reduce the benefit of an equivalent amount would see us collect approximately £850,000, leaving a pressure of £550,000.

32. The way the scheme works, there will be additional pressures associated with Growth and Council Tax increases of £2.45m,

Impact on MTFP

33. Current Budget Gap (£'000) :

	a.	13/14	14/15	15/16	16/17
ii. GAP		0	890	7,853	11,604

34. Scheme will increase budget gap .Still significant uncertainty over future funding due to changes in Local Government Finance

LEGAL IMPLICATIONS

35. The requirement for a LCTS scheme is contained in the Local Government Finance Act which received Royal assent on 31 October 2012. There is some risk associated with the tight timescale for the consultation and implementation, but legal requirements within the Local Government Finance Act relating to consultation have been adhered to. The draft scheme complies with legal requirements.

RISK ASSESSMENT

36. A risk assessment has been carried out and this report is categorised as high risk, scoring 16. Risks identified are due to the uncertainty relating to legislation, funding and the very tight timescales. In addition risks relate to the reduction in funding for the Council and potential loss of income for residents. Risk will be closely monitored as part of the Welfare Reform governance arrangements and the assessment revised as further information becomes available.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

Economic Regeneration and Transport

35. The proposed scheme helps promote employment by enhancing the work incentives included in the current scheme.

Children and Young People

36 The proposals to additional advice and information provision will support economic well-being and build on work to prevent homelessness by providing access to effective support and advice services.

Healthier Communities and Adults

37 The proposed scheme promotes the provision of support for vulnerable adults and older adults within our communities. Current and future pensioners will be protected, receiving the same level of support as under the current Council Tax Benefit scheme. For working age claimants the means test will acknowledge additional costs associated with bringing up a family, caring for others or coping with disability.

Supporting Themes

Stronger Communities

38 The proposals to fund additional advice and information provision together with the existing payment methods available will promote financial inclusion, providing residents with access to financial advice.

Older Adults

39 Current and future pensioners are protected from reductions in support, receiving the same level of help with council tax as under the current Council tax Benefit scheme.

EQUALITIES IMPACT ASSESSMENT

40 The draft scheme has been subject to an initial Equality Impact Assessment in order to assist in the identification of options and the drafting of the scheme document.

CONSULTATION INCLUDING WARD/COUNCILLORS

41. Consultation has included all elected members, Police and Fire Authority representatives, all residents, private landlords, registered housing providers, voluntary and community groups and partnerships.

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