

CABINET BRIEFING

16 JANUARY 2013

LOCALISATION OF COUNCIL TAX SUPPORT SCHEME

REPORT OF THE EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES

1. Purpose of the Report

- 1.1 To provide Cabinet with an update on the consultation results for the proposed Local Council Tax Support Scheme, to explain the implications of the Government's Transitional Grant Scheme and to recommend that the Local Council Tax Support Scheme set out at Appendix B be implemented with effect from 1 April 2013.

2. Description of Decision

- 2.1 To recommend Council to :
- (i) Consider feedback received during the consultation period from
 - precepting authorities,
 - the public, including representatives/representative groups of Council Tax payers and Council Tax benefit claimants, voluntary organisations and community groups,and also consider the implications of the Government's Transitional Grant Scheme.
 - (ii) approve the Council's Local Council Tax Support Scheme as set out in paragraph 6 and Appendix B.
 - (iii) authorise the Executive Director of Commercial and Corporate Services to administer the Local Council Tax Support Scheme including undertaking the consideration and determination of applications for support and authorise the Head of Law and Governance to amend the constitution accordingly to reflect this
 - (iv) authorise the publication of the approved Scheme on the Council's website and in any additional manner determined by the Executive Director of Commercial and Corporate Services in consultation with the Leader of the Council and Cabinet Secretary.

3. Background

- 3.1 On 8 March 2012, the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system in decades and includes the abolition of the national Council Tax Benefit system, for it to be replaced (via the recently enacted Local Government Finance Act 2012) with a Local Council Tax Support scheme (termed a "Council Tax Reduction Scheme" in the Act) from 1 April 2013.

- 3.2 Currently, Council Tax Benefit (CTB) is a means tested benefit that is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP). Claimants in receipt of means tested out-of-work benefits generally receive full assistance; eligible claimants who work or have other income are likely to get partial relief and around 60% of all pensioners are entitled to CTB, although not all who are entitled actually claim. Nationally, current expenditure equates to approximately £4.8 billion and over 5.8 million people claim CTB, more than any other means tested benefit.
- 3.3 As well as the transfer of responsibility from Central to Local Government, the Government cut the level of grant support to Local Authorities by an average of 10% nationally in 2013-14. For Sunderland the reduction is £2.8m which represents a cut of 11.7%. Within Sunderland, as with wider Welfare Reform, there are significant concerns as to the adverse impact of this grant reduction on both the City and its residents.
- 3.4 The Local Government Finance Act 2012 provides that where billing authorities do not adopt a locally approved scheme by 31 January 2013, then the Government's default scheme will need to be used. This default scheme would retain the criteria and allowances in the current CTB scheme and include default procedures that any local scheme must also cover. As there are significant financial disincentives for Local Authorities in using the default scheme, a draft scheme for Sunderland was designed in September 2012 and presented to Cabinet on the 18th September. Approval was given to the scheme to be opened to consultation with a closing date of 30 November 2012.
- 3.5. Consultation on the Council's scheme commenced on 5th October 2012, and was well underway when later in October the Government announced one off funding could be accessed on the basis of adoption of a Scheme that complies with the criteria for a Transitional Grant.

4.0 Results of Consultation on the Local Council Tax Support Scheme

4.1 Precepting Authorities

- 4.1.1 Consultation was undertaken with the major precepting authorities, the Police and Fire Authorities, who will potentially share the effects of any increases or reductions in demand for Council Tax benefits and costs based on the local scheme offered. There were no issues arising other than the Fire Authority seeking assurances from local authorities to minimise any impact on their budget from new LCTB Schemes.

4.2 Public

- 4.2.1 Consultation was also carried out with the public on the content of the proposed scheme during the eight weeks between 5 October and 30 November 2012..
- 4.2.2 The format of the consultation was to utilise an on-line questionnaire, which was widely publicised and made available to all the city's residents. A workshop was also held with the VCS and Equality Forums to help identify where there may be any adverse impact on any particular group or individuals.
- 4.2.3 The results of the on-line survey and feedback from the workshop have been analysed. Overall there is support for Sunderland's scheme as originally proposed and the key findings are summarised at Appendix A.
- 4.2.4 Results of the consultation in broad terms show support for Sunderland's proposed scheme, with recognition that this comes at a time when people are struggling with their finances generally. As could be expected, those that are less likely to agree are those that are currently in receipt of Council Tax Benefit and who will be directly impacted by the changes.

5. Transitional Grant Scheme

- 5.1 As referred to earlier, during October the DCLG published a Transitional Grant (TG) Scheme, which includes a transitional grant to help councils reduce the impact of reductions in council tax support that take effect 1 April 2013, as councils introduce their own schemes to replace the current council tax benefit. The full grant is £100m, of which Sunderland's allocation is £566k, excluding preceptors. The announcement came at a time when Sunderland's proposed Local Council Tax Support Scheme was already out to public consultation.
- 5.2 To apply for the grant, the council must adopt a Council Tax Support Scheme that is compliant with the TG Scheme criteria (a "TG compliant Scheme").
- 5.3 Members will recall that the Council's proposed scheme reported at the Cabinet meeting on 18 September sought to mitigate the impact of reductions in benefit on individuals as well as mitigate the financial impact upon the overall Council budget. This balanced approach is also reflected in the broad approach of the Transitional Scheme which restricts increases in council tax bills to 8.5% which mirrors the council position of not imposing all of the imposed financial reduction on either benefit claimants or the Council budget and in effect finding a middle ground.

- 5.2 The effect of a TG compliant Scheme would mean that the Council would limit the increase in liability for those currently receiving 100% council tax benefit to 8.5%. In addition, the Council would have additional discretions, a number of which are similar to the Sunderland proposed scheme that was put out to consultation, including withdrawing Second Adult rebate and a limited increase in non dependant deductions in some instances.
- 5.3 The main difference between the two schemes is how benefit is reduced. A TG compliant Scheme reduces benefit by 8.5% whilst the Council's original proposed scheme reduces benefit by £2 per week for households with dependant children and £3 per week for those households with no dependant children. However, as this broadly equates to 11% for the £2 per week proposal, the impact is similar.
- 5.4 For those directly impacted by the scheme, all households will be better off under the TG compliant Scheme than with the scheme as originally proposed.
- 5.5 Whilst the funding of TG compliant schemes has been indicated as being on a one off basis, it is proposed that a TG compliant Scheme is adopted on an ongoing basis from 1 April 2013, unless there are significant changes which necessitate a review of the Scheme, with any financial implications dealt with within the overall financial position of the Council.
- 5.6 Appendix B sets out key features of the proposed scheme to be adopted within Sunderland taking into account the principles of the Local Council Tax Support Scheme consulted upon and the guidance in respect of the Transitional Grant scheme. Collectable income from the proposed Scheme is estimated to be £1.2m.

6. Proposed Local Council Tax Support Scheme

- 6.1 Following evaluation of the feedback from consultation and the implications of the schemes it is proposed that the Council adopt the TG compliant scheme as set out in Appendix B on the basis that:
- The TG compliant Scheme broadly follows the approach taken by the original proposed Sunderland Local Council Tax Support Scheme in that everyone will have to pay something towards their Council Tax bill,
 - The limit of Council Tax Benefit support reduction in the TG compliant Scheme is 8.5% and the originally proposed Sunderland Scheme limit starts at 11% (although it is acknowledged that it is higher for some categories) which broadly mirrors the strategy of a fair and equitable solution; everyone paying something, the individual meeting part of the cost and the Council meeting part of the cost

- Significant optional elements of the TG compliant Scheme, are also features of the original Sunderland Scheme, such as adjustments for second adult rebate and reduction in Council Tax support for non-dependents
- The consultation response is summarised in paragraph 4 and Appendix A, and is supportive of the original Sunderland Scheme, and therefore, given the similarities of the TG compliant Scheme and the Sunderland Scheme, and the fact that those directly impacted would be better off under the TG compliant Scheme, it was considered that further consultation was not necessary

7. Financial Implications

After the transitional grant income is taken into account there remains a potential shortfall that has been taken into account within the overall resource position for 2013/2014.

8. Impact Analysis

- 8.1 A comprehensive Equality Impact Assessment has been undertaken, taking into account analysis of public consultation data and comments. Further work will be undertaken to understand the actual impact upon Sunderland's more vulnerable residents e.g. those with a disability.
- 8.2 Work will continue to assess the impact of this scheme alongside the related impacts of the significant number of welfare and benefit reforms either already introduced or still being planned by Government. Any unintended consequences of the new scheme will be closely monitored and considered during review of the scheme

9. Reasons for the Decision

- a) The council must have a Local Council Tax Support Scheme approved by 31 January 2013, otherwise, the default scheme will be imposed
- b) The changes referred to in this report result from Government's reduction in funding. Consultation on the scheme as originally proposed by the Council confirmed that the majority of respondents were in support of the proposals. The scheme which is now recommended in this report has been revised to take into account the Government's Transitional Relief Grant and it is considered that the amended scheme broadly follows the approach of the original proposed scheme, as referred to in section 6 of the report. Impacts will be closely monitored following the scheme's introduction.

10. Alternative Options

- 10.1 The alternative option of the default scheme has been considered but rejected on the basis of affordability and lack of alignment, the strategy of a fair and equitable solution; everyone paying something, the

individual meeting part of the cost and the Council meeting part of the cost.

11. Other Relevant Considerations

11.1 Legal Implications

11.1.1 The comments of the Head of Law and Governance have been taken into account in preparing this report

11.2 Employee Implications

11.2.1 To accommodate a local scheme, some changes to the Council tax and Benefits service may be required. Any changes will also need to take into account the significant future Housing and Welfare benefit changes resulting from the introduction of Universal Credit.

12. Background Papers

Welfare Reform Act 2012

Local Government Finance Act 2012

Change	Respondents agreeing	Respondents not agreeing	Respondents with no views either way	Subgroups of respondents agreeing less than others in their group (%age of subgroup agreement)
i) Reduce entitlement by: - £2 per week for families with dependant children - £3 per week where there are no dependant children	72%	23%	5%	Respondents: - in receipt of council tax benefit (55%) - in the age range 64 and under (71%) - in the West of Sunderland (67%) - with a disability (64%) - lone parent households (46%)
ii) Maximum benefit calculated at Band B	68%	21%	11%	Respondents: - in receipt of council tax benefit (54%) - in the age range 64 and under (67%)
iii) Abolish Second Adult Rebate	70%	20%	10%	Respondents: - in receipt of council tax benefit (56%) - in the West of Sunderland (58%) - lone parent households (53%)
iv) Reduce the capital (savings) limit from £16k to £8k	62%	30%	8%	Respondents: - with a disability (51%) - in the age range 35 and over (60%)
v) A further £1 reduction in benefit for non-dependents.	77%	16%	7%	Respondents: - in receipt of council tax benefit (62%) - in the West of Sunderland (72%) - in the age range 35 to 44 (67%) - lone parent households (42%)

Consultation Results

Appendix A

- 1 Approximately 70% (detail at appendix A) of the 671 respondents are in overall agreement with Sunderland's proposed Scheme, with some 20% disagreeing and 10% having no views either way. Groups that agreed less than others, yet still with a majority agreement, differed depending upon which of the five changes they were commenting upon. In the main, these groups were those that currently receive Council Tax Benefit, residents from the West of the City and respondents with a disability. The household group that mostly objected were lone parents.
- 2 Respondents were also asked how the changes would have an impact upon them, what they thought of the scheme overall and whether they had any other suggestions. One third of respondents felt the new scheme would have an impact upon them and analysis on the level of impact was found to be 7% high, 13% medium and 13% low. The main groups in this category are those aged 45 to 54, men, those with a disability and lone parent households.
- 3 Where further comments were made on perceived impact of the changes (89), slightly over half raised concerns regarding the rise of living costs generally and the inability to pay more council tax at a time when pay and benefits are being frozen or reducing and prices are rising. These views were also expressed during the workshop, noting that people are having to cope with many changes as a result of wider welfare reforms. Other respondents' comments were either generally in agreement or highlighted concerns that the changes unfairly impact upon those that work, have savings, or live in larger properties.
- 4 Further comments made with regard to the scheme overall (148) included approximately one quarter expressing support for the scheme in that it was seen to be fair and that everyone should pay something toward services. Again this view was supported during the workshop.
- 5 Other comments included suggestions on alternate ways to cover the shortfall; the most popular suggestions being in relation to recycling and green energy, tighter benefit checks to reduce fraud and also reduction of elected member costs. With regard to the majority of the remaining comments, there were two groups with opposing views; some wanted more protection for vulnerable and low income/non working households, whilst others felt that such groups were already supported by benefits and the changes would impact unfairly on those that work and have no dependents.

- 1 Reduce Council Tax Benefit by a maximum of 8.5% for those entitled to 100% Council Tax benefit.
Council Tax Support will be calculated in accordance with the TR Scheme and all entitlement will be reduced by a maximum of 8.5%
- 2 Allows councils to abolish Second Adult Rebate
Second Adult Rebate is a reduction of up to 25% of the Council Tax where a customer's income is too high to receive benefit but they have other adults living in the household whose income is low. Second Adult Rebate will be removed.
- 3 Allows councils to amend non dependant deductions within the limits of point 1 above
Non dependant deductions - a further £1 per week reduction for those in receipt of partial benefit as allowed under the TR Scheme will be applied.
- 4 Capital limit of £16,000
Any claimant with more than £16,000 will not qualify for Council Tax Support.
Any capital under £6000 will be disregarded
Any capital over £6000 but under £16,000 will be treated as tariff income - £1.00 of income for every £250 or part thereof
- 5 No property band limit
All claims will be calculated on the Council Tax liability for that property, and no property band limit will be applied.
- 6 Taper limits restricted to 20% (20p of benefit to £1 of income)
For every £1 above the appropriate Needs Allowance, the claimant's maximum entitlement (which is equal to 100% of their liability) will be reduced by 20p