

7 November 2012		ITEM 6
Corporate Overview and Scrutiny Committee		
LOCAL COUNCIL TAX SUPPORT SCHEME		
Report of: Cllr Phil Smith, Portfolio holder for Central Services		
Wards and communities affected: N/A	Key Decision: N/A	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Martin Hone, Director of Finance & corporate Governance		
This report is Public		
<i>If the report, or a part of this, has been classified as being either confidential or exempt by reference to the descriptions in Schedule 12A of the Local Government Act 1972, it is hereby marked as being not for publication. The press and public are likely to be excluded from the meeting during consideration of any confidential or exempt items of business to which the report relates.</i>		
Date of notice given of exempt or confidential report: N/A		
Purpose of Report: To outline to the Overview and Scrutiny Committee the financial challenges faced by the Council that will impact the Local Authority of having to implement a Local Council Tax Support scheme. (LCTSS)		

EXECUTIVE SUMMARY

In the Spending review 2010, the Government announced that it would localise financial support for Council Tax from April 2013. This means that Council Tax Benefit (CTB), the current means of helping people on low incomes to meet their Council Tax obligations, will be replaced by new localised support schemes. In contrast with the present national CTB scheme, these local schemes have to be designed, implemented and managed by individual local authorities.

1. RECOMMENDATIONS:

- 1.1 **That Overview and Scrutiny consider the options available to Thurrock in conjunction with the output of the task and finish group in order to make recommendations for Cabinet approval.**

2. INTRODUCTION AND BACKGROUND:

- 2.1 The design of each LCTSS must be finalised by 31 January 2013 at the latest. Failure to provide a scheme by this date will trigger the implementation of a default scheme, imposed by the Government, which would be highly unlikely to achieve the required reduction in expenditure. In practice billing authorities need to ensure schemes are ready by December 2012 to ensure that a default scheme is not imposed. Within this timeframe a period of public consultation will be required.
- 2.2 Local authorities will take on the risk that liabilities under LCTS exceed that which had been budgeted for at the start of the relevant financial year. Furthermore this risk will be shared between billing and major precepting authorities (county councils, fire and police authorities) on the basis of Council Tax shares.

3. PROGRESS TO DATE

- 3.1 Officers of the Council have been using modelling tools provided by the I.T software providers where they have been able to assimilate different scenarios.
- 3.2 Based on the projected current expenditure of Council Tax Benefit the Council is spending approximately £11.3million. Under the current scheme any amounts rebated against the Council Tax accounts are paid back to the Authority via the Department of Works and Pensions. The above figure currently includes the element for the precepting Authorities (Fire and Police) that represent a value of 15%.
- 3.3 Based on current estimated figures provided by the Department of Communities and Local Government (DCLG). It is proposed that Thurrock Council will receive £8.353m. This figure will be net of the precepting authorities.
- 3.4 The Authority needs to be mindful and give due consideration to any intention of:-
- a/** Accepting the 1% Council tax grant equating to £580.000 thereby not increasing Council Tax in 2013/2014.
 - b/** Increasing Council Tax to 2% (Maximum increase - without going to a public referendum for 2013/2014).

The above decision is critical to the LCTSS. The modelling carried out suggests that as Council Tax increases take place the level of maximum discount that can be offered reduces.

The modelling tool has shown that if there was a zero increase in Council Tax the Authority could offer residents as much as up to an 80% reduction from the total Council Tax bill. However an increase of 2% reduces the level of discount to a maximum of 75%. The above assumes that the Authorities will

operate on a Cost neutral basis. This is something that was agreed by Chief Finance Officers across Essex.

- 3.5 The DCLG recently announced that a further £100million was to be made available to Local Authorities to apply if they adopted satisfied the further criteria as stated within the document. Appendix A
- 3.6 Officers of the Council took account of the figure that was relevant to Thurrock (£225.902). Having factored the stated additional qualification criteria it was identified that in order to be eligible to apply and receive this additional amount the Council will have to meet an additional shortfall of approx £0.5 million.

4 LCTSS Principles

4.1 Essex authorities have agreed a common framework to ensure:

- Common approaches to consultation between billing and major precepting authorities;
- Joint working on consultation on scheme designs between Essex authorities and the public;
- Standardised approaches to processes such as claims, fraud, appeals etc;
- Common components to scheme designs.

4.2 *Components Imposed upon Scheme Designs by Government*

- As defined by Government, all low income pensioners will be protected under the national framework as defined by CLG;
- Consideration for protection for vulnerable working age groups will be allowed for;
- Each authority's scheme will maintain work incentives wherever possible. The Government have stressed the importance of this principle given the current economic climate and the Government's welfare reform agenda;

4.3 *Locally Determined Components*

- For the first year at least, billing authorities will adopt a support scheme based largely on the existing Council Tax Benefit Regulations 2006. Means testing will therefore continue. Given the very short timetable through to implementation this is the only realistic option;
- The schemes will be cost neutral, that is to say the costs of Council Tax support will be in line with the level of grant proposed by the DCLG;
- The schemes will as far as possible also allow for expected growth in demand; and

- Where possible each authority will look to reduce the complex nature of the current benefit system and make support easy to claim and administer.

4.4 In order to provide the level of savings required, each authority will consider options to reduce the current expenditure in such a way as to minimise the overall impact on claimants where possible and to ensure that all requirements under the equalities legislation are met in full. The choice of scheme design components over and above the elements identified above will be for each billing authority to decide, although certain common approaches have been identified and may include that:

5 Results of the Public Consultation

5.1 As part of the public consultation process the Council held its own consultation that lasted for a period of 7 weeks and concluded on the 30 September. The Council had also taken part in this process by engaging with the residents through various Community forums where Officers of the Council with the Portfolio held briefing sessions to encourage participation and further engagement.

Appendix B highlights the findings of the consultation.

6. IMPLICATIONS

6.1 Financial

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The financial implications are as set out in the body of the report.

7. Legal

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The current Council Tax Benefit system is abolished by Section 33 of the Welfare Reform Act 2012, which received Royal Assent on 8th March 2012. The Local Government Finance Bill (the Bill) contains the proposal for the replacement of Council Tax Benefit with local "council tax reduction schemes" to be designed by individual local authorities .The Bill prescribes certain steps in the design of the local scheme, such as consultation and publication, and enables the Secretary of State to introduce both Regulations and Guidance relating to the local schemes. The Government has indicated that Regulations will ensure that pensioners will not lose or gain relative to the current system.

It is intended that all provisions in the Bill will have effect from 1st April 2013 and local authorities, as the timetable currently stands, will be required to have their schemes in place by 31st January 2013.

As set out in the body of the report, the timescales for designing, consulting on and implementing a new scheme are tight. The proposals set out in the report reflect the position as it is currently known and present the Council with appropriate steps to being in a position to comply with the new requirements. A detailed impact assessment will be required to be considered alongside the new scheme. There will also be a need for an internal and external appeals system

8 **Diversity and Equality**

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The Council is under a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The Government's plans to introduce Local Council Tax Support Schemes should be considered in the wider context of welfare reform and localism which may have a major impact on poorer households, in particular as other elements of welfare reform, such as Universal Credit, are introduced over the next few years.

The development of proposals relating to local Council Tax should include equality considerations and the undertaking of a robust equality impact assessment. This will need to include consultation with the public, particularly those who will be affected by the new arrangements. Cabinet will need to be satisfied that any Council Tax scheme that is adopted is based on good 'equality analyses as any scheme will be highly relevant to the equality duty.

9 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

None at this stage of the project

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