

28 November 2012		ITEM: 17
Council		
LOCAL COUNCIL TAX SUPPORT SCHEME		
Report of: Cllr Phil Smith, Cabinet Member 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exempt by reference to the descriptions in Schedule 12A of the Local Government Act 1972, it is hereby marked as being not for publication.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: Further to the meetings held by the Task and Finish group and Corporate Overview and Scrutiny Committee recommendations are being made to Council with regards to agreeing and implementing a Local Council Tax Support Scheme (LCTSS) for 2013/14.		

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.

The design of a scheme for Thurrock has been considered by a Task & Finish Group set up under the Corporate Overview & Scrutiny Committee. The Committee considered the findings of the Group at its meeting on 7 November, and the recommendations below reflect the views of the Committee.

1. RECOMMENDATIONS:

1.1 That the LCTSS for Thurrock for 2013/14 should contain the following elements: -

- **The first £25 per week of earned income will be disregarded when calculating levels of council tax support.**
- **The maximum capital limit is to be set at £6,000. This means anyone who has savings over £6,000 may not receive support with their Council Tax.**
- **Second adult rebate will no longer be awarded for working age claimants.**
- **For working age claimants, the maximum support that will be allowed will be 75% of the full Council Tax bill for the Banding of the property.**
- **Child Benefit and Child Maintenance received will not be included as income in the calculation Council Tax support.**
- **There will be a 100% disregard of military compensation payments, including War Disablement Pensions, War Widow's Pensions and Armed Forces Compensation Scheme payments.**

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. The Government default scheme would require the Council to continue the current level of support (provided under the national Council Tax Benefit arrangements) to all claimants. Due to changes in the level of funding with the introduction of LCTSS, this would mean that the Council would have to find savings of at least £1.3 million from elsewhere in its annual budget. In practice billing authorities need to ensure local schemes are ready by December 2012 to ensure that a default scheme is not imposed. Within this timeframe a period of public consultation is also required.

2.2 Local authorities will take on the risk that liabilities under LCTS exceed that which has been budgeted for at the start of the relevant financial year. Furthermore this risk is shared between billing and major precepting authorities (county councils, fire and police authorities). About 15% of the Council Tax Thurrock collects is paid over to Essex County Council and to Essex County Fire & Rescue Service.

3. PROGRESS TO DATE

- 3.1 Officers have used modelling tools provided by the IT software providers who support the Council's financial systems to test a variety of possible schemes. The key variables were: definition of income; level of 'disregard' for weekly earnings; level of savings at which households would not be eligible for support. Various options were examined by the Task & Finish Group, which also took evidence from the CAB and Credit Union. The Group also took account of the consultation submission sent to all local authorities by the Royal British Legion as regards military compensation payments.
- 3.2 Based on the projected current expenditure the Council is spending approximately £11.3 million per annum providing support under the national Council Tax Benefit scheme. Under the current arrangements any amounts rebated against the Council Tax accounts are paid back to the Council via the Department of Works and Pensions. The figure of £11.3 million includes the element for the precepting authorities.
- 3.3 Based on current estimated figures provided by the Department of Communities and Local Government (DCLG) it is proposed that the Council will receive a grant of £8.353 million to fund its LCTSS in 2013/14. This figure will be **net** of the precepting authorities.
- 3.4 In terms of calculating the actual cost of the LCTSS for 2013/14, the Council needs to be mindful and give due consideration to any intention of:-

a/ Accepting the Government's 1% Council Tax 'freeze' grant (equating to £580,000) and thus not increasing Council Tax in 2013/2014.

b/ Increasing Council Tax by up to 2% for 2013/14 (this being the maximum increase allowed without triggering a local referendum).

The level of Council Tax is critical to the LCTSS since tax increases have the effect of reducing the level of maximum discount that can be offered to claimants.

The Council's Medium-Term Financial Strategy assumes that the Council will accept the 'freeze' grant and on this basis the likely shortfall between next year's grant and payments made to claimants under the current Council Tax Benefit scheme is £1.3 million. Therefore, the LCTSS recommended above has been devised to ensure that an additional £1.3 million of Council Tax is collected in 2013/14.

- 3.5 The DCLG recently announced that a further £100million was to be made available to Local Authorities to apply for provided their LCTSS complied with certain criteria set out in a guidance note. This was examined by the Task & Finish Group, but it was clear that the long-term costs of the scheme put forward by the DCLG (approximately an additional £0.5 million per annum) would far outweigh the one-off grant of £226,000 that Thurrock would have been entitled to.

4 LCTSS Principles

4.1 In putting forward the recommended LCTSS for Thurrock, officers and members of the Task & Finish Group and of the Corporate Overview & Scrutiny Committee have had regard to the 'design principles' agreed between Essex authorities earlier this year:

- 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 Some components of the LCTSS have been directed by Government:

- All low income pensioners will be protected under the national framework as defined by DCLG;
- 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 Some components of the LCTSS have been designed in consultation with other Essex authorities:

- 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 It was also agreed across Essex authorities that 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.

5. Results of the Public Consultation

- 5.1 The Council carried out consultation which lasted for a period of 7 weeks and concluded on the 30 September. The Council engaged with the public through various Community forums where officers of the Council and the Portfolio Holder held briefing sessions to encourage participation and further engagement.

Appendix A highlights the findings of the consultation.

6. IMPLICATIONS

6.1 Financial

Implications verified by: **Martin Hone**
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The financial implications are as set out in the body of the report.

6.2. Legal

Implications verified by: **David Lawson**
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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

6.3 **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. Council 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.

7. **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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