

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
South Ribble Borough Council	23 <sup>rd</sup> January 2013

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<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
South Ribble Borough Council's Localisation of Council Tax Support Scheme	Finance & Resources	Ian Parker Director of Business Transformation	9

## SUMMARY AND LINK TO CORPORATE PRIORITIES

This Report responds to a specific Government requirement that, with effect from April 2013, will change the nature of the existing Council Tax Benefit scheme and see the introduction of a local Council Tax Support scheme. The Government has also reduced local authority funding for Council Tax Support by 10% and, therefore, any local scheme must address this issue as well as being formally adopted by 31 January 2013.

## RECOMMENDATIONS

That following a Cabinet recommendation, full Council approves:

- (1) Recovery of any reduction in funding to Council Tax Benefit in full from working age claimants
- (2) A flat rate deduction of £3.50 per week is sought from working age claimants
- (3) That (based on decisions above) a scheme is formally published in January 2013

## DETAILS AND REASONING

### 0 Background

- 0.1 In October 2010 the Government published its white paper on welfare reform in which it announced its intention to replace Council Tax Benefit with a localised Council Tax Support scheme.
- 0.2 South Ribble Borough Council pays around £6m in Council Tax Benefit to circa 8000 claimants; circa 50% are of pensionable age, the remainder being of working age.
- 0.3 Government proposals would see the £6m Government Grant, which covers the cost of the current Council Tax Benefit scheme, benefit award being reduced by around 10%. This Government Grant is sufficiently flexible to cover the costs of this demand-led service. The Government's proposal of a 10% reduction leaves a shortfall of just over £600,000. South Ribble Borough Councils exposure is circa £84,000 (14%) with the remainder falling to other preceptors, mainly LCC.

- 0.4 Further to the Grant reduction is to restrict, what is currently a demand-led Grant, to a cash limited award that will be rolled up within the Government's annual Formula Grant allocation to the Council in the future. The ramifications are speculative, but as the pensioner population increases, the funding gap will inevitably grow.
- 0.5 The Government has stated that any locally designed scheme must:
- Protect Pensioners (they must not be worse off by any scheme design)
  - Protect vulnerable people
  - Provide financial hardship protection
  - Support work incentives
  - Be simpler to administer

## **1 High Level Proposals**

- 1.1 South Ribble Borough Council has worked with other Lancashire authorities, including LCC to develop some viable proposals.
- 1.2 Essentially, proposals would see the existing rules and regulations that support the means-tested calculation prevail with a deduction being made at the end of the assessment to recover either a percentage of the customer's council tax liability or a flat rate deduction.
- 1.3 The proposals protect pensioners. There will be no change to either their entitlement, the level of benefit awarded or their qualifying conditions.
- 1.4 Proposals for the remaining *working age* customers recommend that the existing means-tested assessment remains in place. This means-tested calculation includes already defined additional premiums for those (under current DWP eligibility regulations) deemed vulnerable. However, a locally defined vulnerability can be included should the Council wish to extend the vulnerability criteria.\* South Ribble Borough Council has already extended its criteria to include war veterans (including working and pension age) and disregards up to £290.00 per week of their income such as War Pensions, War Widows Pension and War Disablement Pension, whereas DWP only disregard the first £10 per week.

*\*The Secretary of State has retained the right to define other groups/types as vulnerable*

- 1.5 South Ribble Borough Council has in place a Discretionary Housing Payments (DHP) scheme which deals with hardship within Housing Benefit. This scheme cannot be used for hardship considerations pertaining to Council Tax Support. A Hardship Scheme to emulate the principles of the existing DHP scheme is included within the overall Localisation of Council Tax Support Scheme. Like the DHP scheme the Council Tax Support scheme will be administered and adjudicated upon by Revenues & Benefit practitioners to ensure consistency of application, speed of decision making and strict adherence to wider benefit legislation.
- 1.6 Proposals also include a recommendation that we continue to support work incentives and continue to apply existing four weekly *run-on* and *earnings disregards*. This provides financial support to customers who move into full time work (and no longer qualify for Council Tax Benefit) Such customers will continue to receive benefit for a further four weeks.

## 2 Scheme Options

### 2.1 Percentage Deduction from Final Benefit Award

2.1.1 This option would see claims to Council Tax Benefit being made as they are now. The full means-tested assessment would be completed to calculate how much Council Tax Benefit the customer currently qualifies for. From that calculation a further percentage deduction would be made in order to recover the Government's reduction in Council funding.

- 10% deduction would return £287,000
- 15% deduction would return £430,000
- 20% deduction would return £574,000
- 25% deduction would return £717,000

### Council Tax Bands

Council Tax Band	10%	15%	20%	25%
<b>A (disabled)</b>	£ 1.64	£ 2.46	£ 3.28	£ 4.10
<b>A</b>	£ 1.97	£ 2.96	£ 3.94	£ 4.93
<b>B</b>	£ 2.30	£ 3.45	£ 4.60	£ 5.75
<b>C</b>	£ 2.63	£ 3.94	£ 5.25	£ 6.56
<b>D</b>	£ 2.96	£ 4.43	£ 5.91	£ 7.39
<b>E</b>	£ 3.62	£ 5.42	£ 7.23	£ 9.04
<b>F</b>	£ 4.27	£ 6.41	£ 8.54	£ 10.68
<b>G</b>	£ 4.93	£ 7.39	£ 9.85	£ 12.31

2.1.2 There are about 3500 working age customers in receipt of Council Tax Benefit. This figure fluctuates continually. To recover in full circa 22% would need to be applied across all working age customers. The existing Council Tax Benefit scheme is fully means-tested. The means test calculates what level of income is needed for that household and from that figure income is deducted (subject to various disregards). Council Tax Benefit is paid in full for customers who qualify for full relief, irrespective of the Council Tax banding.

### 2.2 Flat Rate Deduction

2.2.1 This option would see claims to Council Tax Benefit being made as they are now. The full means-tested assessment would be completed to calculate how much Council Tax Benefit the customer currently qualifies for. From that calculation a further flat rate deduction would be made in order to recover the Government's reduction in Council funding. Claimants receiving less than the flat rate deduction would no longer qualify for Council Tax Benefit.

- Flat rate (weekly) deduction of £2 would return £364,000
- Flat rate (weekly) deduction of £3 would return £546,000
- Flat rate (weekly) deduction of £4 would return £728,000
- Flat rate (weekly) deduction of £5 would return £910,000

2.2.2 There are about 3500 working age customers in receipt of Council Tax Benefit. This figure fluctuates continually. To recover in full a figure of £3.50 per week would need to be applied across all working age customers. South Ribble Borough Councils share is 47½ pence with the remainder due to other precepting authorities, notably Lancashire County Council, The Police & Crime Commissioner for Lancashire and Lancashire Fire & Rescue Service. All supported full recovery of the funding shortfall when formally consulted.

### 3 Consultation

3.1 An essential part of developing a local scheme is that public consultation must take place. South Ribble Borough Council undertook extensive consultation, using mailshot, website, My Neighbourhood Forums, and flyers available in Gateway resulted in 991 responses. Consultation was directed to and included existing Benefit customers.

People who pay full Council Tax and receive no Benefit = 489 (49%)  
 People who pay some Council Tax and receive some Benefit = 236 (24%)  
 People who pay no Council Tax and receive full Benefit = 266 (27%)

3.2 The results of the consultation exercise are summarised as follows:

	YES	NO
<b>Q1 How do you think the council should deal with the reduction in funding relating to Council Tax Support</b>		
By cutting other council services to make up the shortfall	35%	65%
By increasing Council Tax to make up the short fall	20%	80%
By reducing the amount claimants get in their Council Tax Support	61%	39%
<b>Q2 Do you think working age claimants should make a contribution towards their Council Tax?</b>	80%	20%
<b>Q3 Do you think that such a contribution should be based on ability to pay? (Means Tested)</b>	80%	20%
<b>Q4 Do you think such a contribution should be based on the value of their home? (Council Tax Band)</b>	57%	43%

3.3 During the consultation the Department for Communities and Local Government issued additional information which identified grants that c/would be available if any proposed schemes restricted recovery from customers to 8.5%. Closer examination showed that the grant to South Ribble Borough Council would be insufficient to bridge the funding gap.

3.4 The grant on offer to South Ribble Borough Council is in the region of £20,000. Restricting recovery to 8.5% would bring in additional council tax income of circa £34,000. The funding gap that would remain, even if the full grant was available, would still be in excess of £30,000 in the first year, rising to over £50,000 thereafter. This is further compounded as the grant is a one-off award, and if the scheme changed in subsequent years' full consultation would have to take place again. Other precepting authorities would be similarly affected, albeit the amounts would differ markedly, with the County Council facing the largest funding shortfall amounting to around £10 million Lancashire wide.

3.5 Nevertheless, the consultation exercise continued and it was made clear in the documentation that the expectation was to seek full recovery from working age claimants, regardless of whether a flat rate or a percentage deduction was selected. Included in the consultation exercise were all major preceptors (Lancashire County Council, Police Service and Fire & Rescue) who expressed a preference for schemes that seek full recovery. Parish Councils were also consulted but expressed no formal view.

3.6 The consultation exercise illustrates there is widespread support for working age claimants to contribute towards Council Tax. On balance the preference is to assess any contribution on ability to pay, suggesting the means-tested approach is the most appropriate.

3.7 Ability to pay is calculated through the means-test which is a revenue test rather than an asset test. A flat rate scheme would apply the same standard across all Council Tax bands. A percentage deduction would differ, depending upon the property value/band.

#### 4 Equality Impact Assessment

- 4.1 Officers have considered both options and completed an Equality Impact Assessment. Both options follow precisely the existing rules and regulations and qualifying criteria that exist now.
- 4.2 The Government recognises that deductions from working age claimants is both appropriate and in keeping with legislation. During the consultation exercise, the Department for Communities and Local Government suggested that deductions could be restricted to 8.5% and offered a one-off grant to those Councils who proposed a scheme of that nature.
- 4.3 It is explicit that deductions are needed to address the 10% reduction to the demand-led Government Grant (to cover the costs of Council Tax Benefit) however the grant available is a one-off, cash limited grant that would leave South Ribble Borough Council with a shortfall of circa £30,000 in the first year, rising to over £50,000 thereafter. Other precepting authorities would be similarly affected as outlined in paragraph 3.4 above.
- 4.4 The protected characteristics that were impacted included:
- Age
  - Disability
  - Gender Reassignment
  - Marriage/Civil Partnership
  - Pregnancy/Maternity
  - Race
  - Religion or Belief
  - Sex
  - Sexual Orientation
- 4.5 Clearly there is a difference in the application of the scheme across age groups, as pensioners are protected in full. The scheme only applies to those of working age. By continuing to apply the existing means-tested calculation, various premiums (including, Family Premium, Disability Premium, Severe Disability Premium) continue to be included in the financial means-tested assessment.
- 4.6 Apart from age related (which is protected in legislation) both options offered a neutral impact to the specific groups identified under protected characteristics. **END**

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

<b>FINANCIAL</b>	<p>The contents of the Report propose full recovery of the financial shortfall (circa £610,000) by applying a flat rate deduction of £3.50 to all working age claimants. This allows a tolerance of less than 5% reduction to the working age benefit caseload.</p> <p>The Council Tax Benefit caseload fluctuates and currently has around 3500 working age claimants. The scheme is designed to incentivise work and caseload is reducing. It is therefore reasonable to apply a flat rate of £3.50 to bridge the financial gap.</p> <p>The financial implications of the Council Tax Benefit, together with the implications of the Localisation of Council Tax Support scheme have been included in the Council's Medium Term Financial Strategy. This includes adjustment to the Council Tax Base and receipt of core funding.</p>
<b>LEGAL</b>	<p>As Members are aware the current system of Council Tax Benefit is to be abolished in April 2013.</p> <p>The Local Government Finance Act 2012 places a new responsibility on councils to devise their own local replacement schemes with effect from 1 April 2013. This report is designed to ensure that this responsibility is met.</p> <p>The Council is under a duty to have a new scheme in place by the 31<sup>st</sup> of January 2013.</p> <p>When considering the way forward due consideration has been given to any impact on equality issues – this is evidenced in the Equality Impact Assessment that has been carried out.</p>
<b>RISK</b>	<p>The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:-</p> <ul style="list-style-type: none"> <li>▪ Not designing a local scheme would impose significant financial costs to the Council and other preceptors</li> <li>▪ Seeking to restrict recovery to 8.5% and apply for the grant would still leave a shortfall of £30,000 in year 1, rising to over £50,000 thereafter</li> </ul>
<b>THE IMPACT ON EQUALITY</b>	<p>Equality Impact Assessment has been completed for the options consulted upon. A further assessment will be completed following the decision.</p>

<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## **BACKGROUND DOCUMENTS**

- (1) Localisation of Council Tax Support – Comprehensive Scheme Details  
(Draft and subject to Council decision)
- (2) Equality Impact Assessment