

Agenda



Special Community Focus Scrutiny Committee

Date	Thursday, 09 August 2012 at 6:15 pm
Venue	Town Hall, St Annes
Committee members	<p>Councillor Kiran Mulholland (Chairman) Councillor Christine Akeroyd (Vice-Chairman)</p> <p>Councillors Tim Armit, Maxine Chew, Susanne Cunningham, Tony Ford JP, Gail Goodman JP, Nigel Goodrich, Kathleen Harper, Paul Hodgson, Ken Hopwood, Linda Nulty, Dawn Prestwich, John Singleton JP, Viv Willder</p>

Public Platform To hear representations from members of the public

Item		Page
1	Declarations of Interest: Any member needing advice on Declarations of Interest should contact the Monitoring Officer before the meeting.	1
2	Confirmation of Minutes: To confirm the minutes of the previous meeting held on 26 July 2012 as a correct record. To Follow	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 24.3.	1
4	Local Council Tax Support	3 – 9

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REPORT

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	COMMUNITY FOCUS SCRUTINY COMMITTEE	09 AUGUST 2012	4

LOCAL COUNCIL TAX SUPPORT

Public Item

This item is for consideration in the public part of the meeting.

Summary

The Government announced its intention to abolish the current national Council Tax Benefit scheme in the Spending Review of 2010. This forms part of the Government's wider 'localisation' agenda. The existing scheme of Council Tax Benefit (CTB) will be abolished as part of the provisions of the Welfare Reform Act 2012 to coincide with the introduction of localised schemes of support for Council Tax (LCTS)

The proposed replacement scheme is intended to support public spending deficit reduction by reducing the amount available to local authorities to spend by 10% or circa £0.5 billion per annum nationally. In relation to Fylde it is estimated that this equates to approximately £526K per annum.

The new localised scheme must be operational from April 2013 and Councils are required to agree a scheme by the end of January 2013. Failure to adopt a scheme on time will result in a default scheme being applied. This will mirror the current scheme and authorities will have to fund the 10% cut in grant.

This report sets out the issues to be considered in the development of the Fylde LCTS and the recommended options which currently form the basis of the draft scheme.

Recommendations

1. Note the challenging timetable for developing a local Council Tax Support Scheme.
2. Note the recommended options which currently forms the basis of the draft scheme, subject to the outcome of consultation and final regulations, and provide any comments to Cabinet thereon.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Portfolio Title: Finance and Resources Councillor Karen Buckley

Report

1.0 Background

Continued....

The existing scheme of Council Tax Benefit (CTB) will be abolished as part of the provisions of the Welfare Reform Act 2012 to coincide with the introduction of localised schemes of support for Council Tax (LCTS).

Currently Council Tax Benefit is a nationally determined, demand led, means tested benefit, the cost of which is met by Central Government reimbursing councils for the Council Tax Benefit they award.

From April 2013 Central Government will provide councils with a cash limited grant which will be 10% less than their previous expenditure on Council Tax Benefit. Local authorities are tasked with devising a local Council Tax Benefit scheme which takes this reduction into account. The grant will not increase if there is an increased demand.

Based upon estimated Council Tax Benefit expenditure for 2012/13 for Fylde Borough Council of £5.26m, the 10% cut means that the funding for Council Tax Support within the borough of Fylde will be reduced by an estimated £526k. Fylde Borough Council's share of this is approximately £64k- the balance would fall on the major precepting authorities.

Pension age customers (both current and future) must not have any reduction in their Council Tax rebate compared to the current scheme. This means that the reduction in available funding for Council Tax support to low income households will only affect working age households. Of the 6,000 claimants receiving CTB in Fylde approximately 54% are of pensionable age, therefore the reduction in Council Tax Benefit for working age customers will need to be between 20% and 25% (approx. £190 - £211 per annum per customer).

It is expected that local schemes will protect vulnerable groups. Disabled people and families with children are referred to in the DCLG documentation. The design of the scheme also requires work incentives to be included in line with the major policy objectives of welfare reform.

2.0 Grant Funding from Government

Unlike the current demand-led scheme, the new scheme will be based on a cash-limited grant which is planned to reduce over the medium term which may mean further reductions in grant funding and, therefore, changes to agreed schemes.

Authorities will need to forecast and allocate limited expenditure based on anticipated demand which in turn will be influenced by prevailing economic conditions.

3.0 Timetable to Implementation

The implementation timescales are exceedingly tight, Apart from budget and Council Tax setting, the agreed scheme will be needed significantly in advance of January 2013 given the requirements for consultation, software testing, training and publicity:

Public consultation on the options for the Fylde BC LCTS is taking place from August 2012 to October 2012. Decisions on the final scheme must then be concluded in order to have sufficient time to formally adopt and implement the agreed scheme.

- | | |
|--------------------------|---|
| • April 2012 | Profiling, Design and development of scheme |
| • April 2012 | Equality Impact Analysis began |
| • May/June 2012 | Initial scheme options developed |
| • July 2012 | Draft regulations / Member consultation |
| • early autumn 2012 | Final regulations |
| • Aug – October 2012 | Public consultation on proposed scheme |
| • End October 2012 | Final scheme agreement |
| • September/October 2012 | Budget setting / tax base |
| • December 2012 | Member resolution, scheme formally adopted by Council |

- December 2012 System Testing , document development
- January 2013 Scheme in place
- January/February 2013 Staff training

4.0 Role of Billing and Precepting Authorities

Billing Authorities (District and Unitary Councils) will be the default lead authority for agreeing new schemes and are required to consult with Major precepting Authorities (County Council, Police and Fire Authorities) as each will receive grant funding and will be expected to share, proportionately, in the financial risks associated with new schemes.

Existing powers (section 101 of the Local Government Act 1972) enable authorities to collaborate to develop schemes together and it is accepted that there are a range of benefits to authorities working jointly. A county-wide scheme was sought but now seems unlikely. A standardised model for Fylde BC and Blackpool has formed the basis on which modelling of schemes has been taking place. This has reduced costs in the design, development and consultation phase. Should the final schemes be based on a standardised model, further efficiencies could be achieved in relation to training, documentation, IT design and live implementation.

5.0 Linkages to Wider Welfare Reform

The Welfare Reform Act 2012 provides for a major overhaul of the current benefits system. The abolition of Council Tax Benefit is to be implemented ahead of the commencement of Universal Credit. The new scheme of Council Tax support will run alongside Housing Benefit in its first year of administration. Housing Benefit administration will then gradually diminish between October 2013 and 2017. Wider changes to existing benefits during the next few years will mean customers on benefits will have less money available to pay the Council Tax liability.

6.0 Scheme Modelling

Initial modelling has been undertaken using the following design principles for any future scheme:

- affordable in terms of grant received, revenue loss and costs to operate;
- as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Analysis is required;
- transparent, understandable to customers and practical to operate;
- feasible to implement within the constraints of the timescales and available software;
- simple in design avoiding unnecessary complexity;
- avoid the costs and risks associated with collecting additional data
- Incorporate a contingency saving to allow for growth in the number of claims.

7.0 Scheme Options *(see Appendix A for caseload demographic and scheme option modelling data.)*

- Do Nothing – This would lead to imposition of the DCLG default scheme and the Council will have to fund the 10% cut. This option would see benefit recipients facing no reduction

in benefit and would have a recurring adverse impact of £64k per annum on Fylde Borough Council.

- Fund/Part fund the scheme (i.e. the cut is not passed on to the claimant). If the scheme was fully funded this option would see benefit recipients facing no reduction in benefit and would have a recurring adverse impact of £64k per annum on Fylde Borough Council.
- Maintain the current council tax benefit rules to complete a means tested assessment and apply a percentage reduction at the beginning or end of the process. This option would have the impact of passing the cut on to benefit recipients and would have no financial impact on the Council.
- Maintain the current council tax benefit rules but introduce additional means testing. This is not considered feasible for 2013 owing to the large number of claimants that we would have to obtain additional data from.
- Base the scheme on the status of the claimant, for example, a standard benefit for an unemployed claimant. This is not considered feasible for 2013 as again it would require additional data and is not currently planned as an option by any software supplier.
- Restrict eligibility to specific council tax bands. This option would have the impact of passing the cut on to benefit recipients and would have no financial impact on the Council.
- Adjustments to income and capital rules, claim dates, and various other elements of the current CTB Regulations.

8.0 Protection of Specific Groups

DCLG guidance has been issued which states that pensioners are exempt from any impact of the introduction of the Council Tax Support scheme. Vulnerable groups should also be protected and work incentives should be taken into account.

The current Council Tax Benefit scheme makes provision for these matters and as such further provisions may not be necessary. This would enable a clear equality analysis to be undertaken; there are concerns regarding the further protection of specific vulnerable groups above others.

Another option is that protection for a particular vulnerable group could be achieved through the application of a hardship fund operating outside of the council tax support scheme for example, customers with children under 5 or disabled groups.

Retaining the existing scheme of 'run-ons' for claimants commencing work would help protect work incentives for claimants. This is where a customer who has been unemployed for 6 months or more retains existing levels of benefit for 4 weeks when commencing work.

Any proposed scheme will be subject to a robust Equalities Impact Analysis (EIA) as inevitably those who 'lose out' may seek to challenge the design of a scheme. The EIA is running in parallel with the design process.

9.0 Draft Scheme

The scheme must be based upon what is practically achievable within the timeframes and supported by available software. It is therefore proposed that the LCTS is, at least initially, based on the existing components of Council Tax Benefit. This is a pragmatic approach which recognises the constraints of the timetable.

Based on the data modelling undertaken to this point the following have been included as preferred options in the draft scheme for public consultation purposes.

- Complete a means tested assessment and then apply the same percentage reduction to every customer in the range 20% - 30%. Deductions would still be made for any non dependents in the household.

This option ensures the required saving is made via an equal distribution of any increased payment (£190 - £211p.a. extra Council Tax to pay for the 2800 working age claimants.)

For some customers this would be the total amount that they would be required to pay (i.e. those currently required to pay nothing) whilst for others it would be in addition to what they currently pay.

- No-one will be able to have their Council Tax Support backdated.

This will have no affect on current claimants but will make savings on new claims

- There will be no second adult rebate scheme. All Council Tax Support calculations will be based on the circumstances of the Council Tax payer(s).
- a customer who has been unemployed for 6 months or more retains existing levels of benefit for 4 weeks when commencing work
- Disregarded 100% of income from working age War Disablement Pension and War Widow's/Widower's Pension.

Fylde Borough Council has always exercised the discretion to disregarded 100% of this income in the current Council Tax Benefit Scheme.

10.0 Funding the Local Scheme for Council Tax Support

Provisions are contained in the Local Government Finance Bill that will allow local authorities the discretion to amend current exemptions and discounts for both second homes and long term empty properties. One of the government's main intentions in localising these decisions is to enable authorities to encourage empty homes to be brought back into use.

IMPLICATIONS	
Finance	<p>The local scheme must be adopted by 31st January 2013 to avoid the imposition of the Government default scheme, which would be the current scheme and the authority would have to fund the 10% cut. The options set out in paragraph 9 of the report fall within 2 broad categories:</p> <ol style="list-style-type: none"> 1. Those schemes which see the cut passed on to benefit recipients; and 2. Those schemes which see the Council funding the cut, which for Fylde Borough Council would equate to an estimated £64k per annum. <p>The draft scheme proposed at paragraph 9.0 falls within the first category.</p>
Legal, human rights and equalities	<p>The Local Council Tax Support Scheme (LCTS) is subject to Equality Impact Analysis at all stages of development and public consultation on the proposed scheme.</p> <p>Legislation is contained within the Welfare Reform Act; the LCTS must meet guidelines and regulation enacted by DCLG. The final scheme will require formal Council approval.</p>

Community Safety	none
Sustainability and Environmental Impact	none

Report Author	Tel	Date	Doc ID
Marie McRoberts	(01253) 478910	28 JUNE 2012	

List of Background Papers		
Name of document	Date	Where available for inspection
Document name		Council office or website address

Attached documents

1. Appendix A – caseload demographic and scheme option modelling data.

Appendix A Fylde B.C Council Tax Support Data

Total number of CTB claims (caseload)	5,993
Total number working age CTB population	2,779
Percentage of working age claims	46.37%
Total CTB projected for 2012/2013	£ 5,261,960.08
Total CTB projected working age only	£ 2,345,170.36
Indicative Value of Grant Reduction 10%	£ 526,196.00
Fylde Share	£64,000 approx.

SCHEME OPTIONS			
1	Do Nothing – ie don't adopt a new Council Tax Support Scheme	This would lead to imposition of the DCLG default and the Council will have to fund the 10% cut.	
2	Maintain most of the current council tax benefit rules but reduce the level of council tax support by a % at the end of the calculation (bottom slice)	This option is favourable for equalities purposes as it ensures vulnerability issues are accounted for within the calculation before the reduction is applied	
20%(Additional Average Cost Per Customer £189)		£ 469,103	
25%(Additional Average Cost Per Customer £211)		£ 586,182	
30%(Additional Average Cost Per Customer £253)		£ 703,524	
3	Maintain the current council tax benefit rules but reduce the level of council tax eligible for support by a % (top slice)	This option is less favourable as it would be difficult to justify what consideration has been given to protected characteristics for Equality Analysis.	
Cap at 90% of liability		£264,733	
Cap at 85% of liability		£395,644	
Cap at 80% of liability		£524,398	
4	Restricting eligibility to specific council tax bands. E.g. BAND C	£85,995	Could achieve required savings only in part and may be construed as unfair
5	Abolish backdating	£6,600	Would only affect new claims
6	Abolish second adult rebate	£8,400	Only affects 52 cases
7	Reduce capital limit to £6K	£48,418	Would involve collecting data from customers – not feasible for year 1
8	Include previously disregarded income		Difficult to justify for Equality Analysis
child benefit		£250,693	
Disabled Living Allowance		£34,036	
child maintenance		£222,360	
9	Weekly minimum benefit £2	£1200	
10	Increase non dependant deductions - £7.50 for current £3.30 and £18, £31, £38 next brackets	£28,820	
11	Maintain the current council tax benefit rules but introduce additional means testing.	not considered feasible for 2013 owing to the large number of claimants that we would have to obtain additional data from	
12	Base the scheme on the status of the claimant, e.g a standard benefit for an unemployed claimant.	not feasible for 2013 as would require additional data /no software solution.	