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| CABINET | AGENDA ITEM No. 5 |
| 16 DECEMBER 2013 | PUBLIC REPORT |

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| Cabinet Member(s) responsible: | Councillor David Seaton, Cabinet Member for Resources | |
| Contact Officer(s): | John Harrison, Executive Director Resources | Tel. 452520 |

COUNCIL TAX SUPPORT SCHEME 2014/15

| RECOMMENDATIONS | |
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| FROM : John Harrison, Executive Director Resources | Deadline date : 16 December 2013 |
| <p>That Cabinet approve:</p> <p>1. That the draft Council Tax Support Scheme for 2014/15 should be the same as for the current year, and to use this as a basis for consultation.</p> | |

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following approval by the Corporate Management Team.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to:

- update Cabinet on the implementation of the new local Council Tax Support scheme in 2013/14;
- to propose that the draft scheme for 2014/15, to be used as the basis for undertaking public consultation, is the same as the current year;
- to outline the approach to consultation; and
- to outline the timescales for implementation.

- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 “to take collective responsibility for the delivery of all strategic executive functions within the council’s major policy and budget framework and lead the council’s overall improvement programme to deliver excellent services”.

3. TIMESCALE

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| Is this a Major Policy Item/Statutory Plan? | Yes | If Yes, date for relevant Cabinet Meeting | 16 December 2013 |
| Deadline for relevant Council Meeting | 31 January 2013 | Date when these changes will apply from | 1 April 2013 |

4. BACKGROUND AND CURRENT SCHEME

Background

- 4.1 Council Tax Benefit (CTB) was the means tested way of reducing the Council Tax Bill for those on low incomes. Effectively the household paid less council tax (sometimes none) and the Government paid grant to the council to cover it.
- 4.2 CTB expenditure has increased nationally from £2bn in 1997/98 to £4.3bn in 2010/11. The Government announced in the Spending Review 2010 that it would localise support for council tax making Councils responsible for local schemes and reducing the grant by 10%, saving £410m nationally in England. Councils would be responsible for determining, through their local scheme, how these savings are made. If councils do not make savings through the scheme, they will need to meet the cost of this elsewhere in their budgets. Schemes must fully protect pensioners and so the impact is met by 'working age' claimants.
- 4.3 Council Tax Benefit (CTB) became Council Tax Support (CTS) from April 2013. The Council implemented a local scheme that came into effect on 1st April 2013.

Financial Impact for Peterborough in 2013/14

- 4.4 In Peterborough there were almost 18,000 Council Tax Benefit claimants (24% of households) which cost around £12m in 2010/11. The Medium Term Financial Strategy (MTFS) approved by Council in February 2012 was based on a local scheme being adopted in 2013/14 and there being no additional pressure on the council's budget i.e. any reduction in grant would be fully met through changes in the benefit scheme, rather than cuts being made in services elsewhere across the Council.
- 4.5 The Government claimed that the reduction in funding should be around 10% of the benefit bill. However this assumed that the number of people claiming this benefit, and hence the cost of it, reduced by 2013/14. Many parts of the country, including Peterborough, were seeing costs of benefit increasing. The Council estimated that the grant reduction would see a shortfall of nearer 20%. The gap between grant and the benefit bill for 2013/14 was estimated to be £2.4m.
- 4.6 Failure to devise and implement a local scheme by 31 January 2013 would result in the Department for Communities and Local Government (DCLG) 'default scheme' being used by the Council. This scheme mirrors the current CTB scheme. If this were to happen the Council and Police and Fire would have had to find the £2.4m of savings from elsewhere in their budgets.
- 4.7 In Peterborough 40% of claimants and 38% of the bill relates to pensioners. As Government legislation protects this group, the 20% loss in CTB funding has to be met by the remaining 60% of claimants. In order to achieve the strategy approved in the MTFS, this would require a reduction in benefit of 30%.
- 4.8 Cabinet approved this approach as the basis for consultation at their meeting of 24 September 2012 (the reduction was initially estimated at 35% and was consulted at this level, but changes to the grant meant this was finally 30%). The consultation also included options to fully protect groups, such as the disabled. Such protection would mean higher reductions for working age claimants to keep the scheme self-funding in line with the MTFS strategy.

4.9 Following Cabinet, an intensive period of public and stakeholder consultations ran for six weeks from 25 September to 5 November 2012, along with further engagement leading up to approval by Full Council on January 30th 2013. This included:

- Residents were encouraged to 'have their say' by completing an on-line survey, copies of which were made available in hard format from The Town Hall, Bayard Place and the Libraries.
- Direct engagement with groups identified through the Equalities Impact Assessment
- The project team also engaged with Job Centre Plus where their relationship manager has informed front line staff of the proposed changes and consultation.
- Drop-in sessions were held at each of the 10 libraries where residents could ask questions and were encouraged to complete the survey.
- Benefit notification letters were also amended during the period of consultation to include an additional sheet advising customers of the changes and how they can have their say. Using this approach **6,145** separate notifications have been issued to benefit customers alerting them to the changes and giving them the opportunity to comment.
- The proposals were discussed by Sustainable Growth and Environment Capital Scrutiny Committee on 8th November 2012.

4.10 The feedback was generally inconclusive. Whilst respondents felt that Peterborough City Council should continue to support people on low income by reducing their council tax bill, there was no clear indication of any preference as to how the new scheme should be designed.

New scheme implemented for 2013/14

4.11 Given the unacceptable impact that cuts of £2.4m would have, it was agreed that a 30% reduction would be applied from 2013/14.

4.12 Analysis showed that under the new council tax support scheme there would be the following impact:

- 8,437 households who previously received 100% council tax benefit would now have something to pay
- 2,458 households will be paying more council tax than before

Examples of how this would impact during 2013/14 are outlined below

- Currently Band A council tax in the city (including Police and Fire) is £908. A household in receipt of 100% benefit would currently pay no council tax. In future they would pay 30%, or £272 per year (£5.24 per week). They would still receive £636 in council tax benefit
- Currently Band B council tax in the city (including Police and Fire) is £1,059. A household in receipt of 50% benefit would currently pay council tax of £530, and receive benefit of £530. In future they would pay an extra £159 per year (£3.05 per week), taking their total payment to £689 per year. They would still receive £371 in council tax benefit

- The average amount paid in benefit is currently £730 per year. This would reduce by £219 to £512 per year. As such the average household in receipt of benefit would pay £4.21 per week extra
- Pensioner households are protected and hence unaffected by the proposals

4.13 The original cabinet report outlined a range of measures that the Council intended to undertake to mitigate the impact on households. The Council works in a number of areas to support people in Peterborough, covering two main areas:

- Helping people get back into work and off benefit
- Helping alleviate the impacts of poverty on individuals and households

The majority of these activities are led by the Neighbourhoods service, linking in with a number of partners across the city.

5. IMPACT OF THE NEW SCHEME AND PROPOSALS FOR 2014/15

5.1 The Council has closely monitored the impact of the new scheme in the current financial. As we are only 8 months into the new scheme, we should remain cautious in drawing definitive conclusions. The scheme is likely to need to be monitored over several years to fully assess the impact.

5.2 The scheme received media coverage during the year, especially when individuals were summoned to court. However it should be noted that whilst the scheme has seen an overall increase in summons, the majority have been issued for those not affected by the changes:

| | |
|-------------------|---------------|
| Summons – non-CTS | 6,427 |
| Summons – CTS | 5,266 |
| total | 11,693 |

5.3 Collection rates are being impacted, but overall not by a significant amount. Collection at the end of October for all council tax was 65.8% in the year to date, compared to 66.2% at the same stage last year. The collection rate is currently lower for household paying for the first time, many of these households are now paying through instalments during the year, and the lower collection rate in part reflects issues earlier in the year when some of these households did not fully appreciate the impact of the new arrangements and the need to start paying council tax.

5.4 The process of collecting council tax from these households (and indeed all households) continues. The Council continues to encourage those who may encounter difficulty in paying to get in touch as soon as possible. Where households have ignored reminders and not been in touch, then further recovery action will be taken.

5.5 The comments above focus more on the collection process, and it recognised that there may be an impact on individual households. Measures that the Council would undertake to support households were outlined in the Cabinet reports last year (and are summarised in 4.13 above). Currently it does not appear that there is evidence of households presenting themselves elsewhere in the council and requiring services or support as a result of the local scheme. The Council will continue to monitor this, especially in light of wider changes to welfare benefits.

5.6 The Council needs to revisit and approve its local scheme every year. In doing so the council needs to consider several key issues:

- What is the forecast cost of CTSS, and how has it changed ?
- Is the level of funding available still the same as expected ?
- Should the principle of the scheme being cost neutral still be maintained ?

5.7 Current figures indicate that there is a small reduction in the cost of council tax support. This is however offset by additional grant reductions announced during this year. As such it is recommended that the local scheme remains as it is, and hence that level of CTS reduction should remain at 30%, and a short consultation is undertaken on this proposal.

5.8 At the time that Cabinet meets to discuss this report, the Council is unlikely to have received its financial settlement for 2014/15. If this settlement differs from current forecasts, then Cabinet may need to revisit the proposed scheme in January.

6. CONSULTATION APPROACH AND TIMELINE

6.1 As Cabinet is not proposing to change the local scheme, it is proposed that the consultation can be run as follows.

- Comments and feedback will be invited from the public.
- The key stakeholders who were targeted last year will be contacted again to seek feedback on the scheme so far.
- Discussions with officer representatives from the Councils' major precepting authorities will also take place.

6.2 The scheme requires approval by Full Council by the end of January 2013. Key dates leading up to that are as follows:

| Key dates: | Events: |
|--------------------------------|---|
| 20 th December 2013 | Public Consultation starts (once call-in expired) |
| 20 th January 2014 | Cabinet consider interim feedback and recommend scheme to Council |
| 27 th January 2014 | Consultation closes – final updates to be reported to Council |
| 29 th January 2014 | Full Council to approve a new scheme |

7. REASONS FOR RECOMMENDATIONS

7.1 The Constitution requires Cabinet to approve the consultation on the new Council Tax Support scheme.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The options available to the council are:

1. Do nothing

If the Council does not agree a local scheme, legislation means that a 'default scheme' apply to any council that does not formally adopt a Council Tax Support scheme by 31 January 2014. For Peterborough this would result in an additional pressure of £2.4m and savings to be made from elsewhere in its budget. This could

also affect the services provided by our Fire and Police Authorities as over 17% of the council tax that is collected is distributed to these preceptors.

2. Design a local scheme to deliver £2.4m savings

To reduce all CTB equally - as the Government has made clear that pensioners must be protected, the whole of this shortfall would need to be met by working age claimants. As a result, the reduction of 30% is necessary to meet the £2.4m funding shortfall. This is the recommended option

3. Somewhere in between – a lower than 30% reduction

As with the option to 'Do Nothing', absorbing any deficit from a shortfall in funding will impact on the services that the Council currently delivers, but would mean a lesser impact on benefit recipients.

9. IMPLICATIONS

9.1 Elected Members

Further to this Cabinet meeting and the intended period of consultation, this proposal will then be presented to Cabinet on 20th January before Full Council and all Elected Members will be asked to approve the scheme on 29th January 2014.

Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

9.2 Financial

The financial implications are outlined in detail in section 4 of this report

9.3 Legal Implications

The introduction of the localised Council Tax Support Scheme is as a result of the Local Government Finance Bill 2012, and a local scheme must be implemented by the end of January prior to the relevant financial year.

9.3 Human Resource Implications

It is anticipated that the introduction of Council Tax Support will lead to an increase in the number of customers who contact the council. These contacts will be managed by Serco who have been involved in the process this year.

9.4 Risk Management

The change from Council Tax Benefit to Council Tax Support presents a risk for the council and the precepting authorities (Fire & Police), as in future they will have to meet the financial impact of any increased demand and lower council tax collection rate. The council and its precepting partners will need to closely monitor local social and economic changes, and factor the impact into the financial planning.

9.5 **Equality and Diversity**

An initial and full Equalities Impact Assessment (EIA) together with an action plan was been developed, updated and published on the website as with all other EIA's as part of the considerations initially in 2012

10. **BACKGROUND DOCUMENTS**

10.1 **Link to supporting documents**

DCLG – Localising Council Tax Support:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

Council Report – 30th January 2013

<http://democracy.peterborough.gov.uk/documents/s13498/Cabinet%20-%20Council%20Tax%20Support%2021st%20Jan.pdf>

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