

CABINET	AGENDA ITEM No. 7
24 SEPTEMBER 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources	Tel. 452398

Localised Council Tax Support Scheme (replacing Council Tax Benefit)

RECOMMENDATIONS	
FROM : Executive Director Strategic Resources	Deadline date : 24 September 2012
<p>That Cabinet:</p> <ol style="list-style-type: none"> Approves the draft scheme as a basis for consultation and the approach to consultation outlined in this report; and Approves further work on mitigating the impacts of these changes, as outlined in section 6 of this report, and for the outcomes to be reported back to Cabinet following consultation. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- The purpose of this report is to:
 - update Cabinet on the requirement of the council to develop a new local Council Tax Support scheme
 - To propose a draft scheme as the basis for undertaking public consultation
 - to outline the approach and the required public consultation
 - to outline the timescales for implementation
- This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which states 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

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	24 September 2012
Deadline for relevant Council Meeting	31 January 2013	Date when these changes will apply from	1 April 2013

4. CURRENT POSITION AND LEGISLATIVE CHANGES

Executive Summary

In its 2010 Spending Review the Government announced that it would localise support for Council Tax from April 2013, and at the same time reduce expenditure by 10%. This means that there will no longer be a nationally governed Council Tax Benefit (CTB) scheme and each Council will set their own schemes. This is part of the Government's wider policy of localisation, giving Council's increased financial autonomy and a greater stake in the economic future of their local area. However, Pensioners will be protected under these new arrangements and CTB for this group will continue to be subject to national controls, meaning pensioners will not have their CTB reduced by these legislative changes.

The Council's Medium Term Financial Strategy (MTFS) approved by Council in February was based on a local scheme being adopted and resulting in no additional pressure on the council's budget. As the CTB scheme is protected for pensioners the saving identified from this change in legislation, £2.8m, means that the impact will be to working age claimants and will be much higher than the headline 10% saving, and will instead be 35%.

The Council needs to devise, consult on and implement a local CTB scheme. This report advises Cabinet of the implication for the Council and recommends a way forward to meet these requirements.

Background

- 4.1 Council Tax Benefit (CTB) is the means tested way of reducing the Council Tax Bill for those on low incomes.
- 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.
- 4.3 Council Tax Benefit (CTB) becomes Council Tax Support (CTS) from April 2013.
- 4.4 Draft regulations were released in July 2012 and updated as recently 7 September 2012. Council Tax Support schemes are currently being designed across the country. Schemes must fully protect pensioners and so the impact is met by 'working age' claimants. Schemes should provide support to vulnerable claimants and those trying to return to work.
- 4.5 As the Council collects council tax on behalf of the Cambridgeshire Police Authority and the Cambridgeshire and Peterborough Fire Authority, any proposals could also impact upon these two organisations. Currently the precepting authorities' share of the council tax is 17p in every £1 collected.

Financial Impact for Peterborough

- 4.6 In Peterborough there are almost 18,000 Council Tax Benefit claimants (24% of households) which cost around £12m in 2010/11.

- 4.7 The Medium Term Financial Strategy (MTFS) approved by Council in February was based on a local scheme being adopted and therefore no additional pressure on the council's budget.
- 4.8 It was originally expected that the 10% reduction in grant would mean a funding gap of around £1.2m (10% of the £12m bill). However, recent Government consultation documents on the proposals have outlined that the 10% reduction is based on the 2013/14 forecast position which includes a reduction in the number of benefit claimants.
- 4.9 The Government claims that the reduction in funding should be around 10% of the benefit bill. However this assumes that the number of people claiming this benefit, and hence the cost of it, reduces by next year. In many parts of the country, including Peterborough, are seeing costs of benefit increasing. The Council estimate that the grant reduction will see a shortfall of nearer 20%. The gap between grant and the benefit bill for 2013/14 is currently estimated at £2.8m.
- 4.10 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 Council would need to find the £2.8m of savings from elsewhere in the Council budget.
- 4.11 It must be stressed that the figures remain estimates at this stage. The Government will not confirm the final grant allocations that will be made available to Councils until the local government finance settlement in December. The timeline for making decisions on the scheme (see 7.5) will enable the Council to revise proposals if those figures change.
- 4.12 In Peterborough 40% of claimants and 38% of the CTB 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.

5. OPTIONS AVAILABLE TO THE COUNCIL

- 5.1 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 2013. For Peterborough this would result in an additional pressure of £2.8m 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.

If the Council were to absorb the deficit, it would then have to find savings elsewhere in the budget due to the limited amount of resources available to run all Council services. The Council is already striving to provide the same level of services on a reduced budget and therefore is less able to absorb the cut in funding which results from this change in legislation.

2. Design a local scheme to deliver £2.8m 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 35% is necessary to meet the £2.8m funding shortfall.

To consider targeted arrangements - see section 9 which details the areas where the Council could potentially make savings based on targeted elements of the current CTB scheme.

3. Somewhere in between

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.

- 5.3 Having considered the alternative options outlined in part 9 of this report, which collectively only deliver around 2% towards the required savings, the fairest and least complicated option would be to apply a 35% reduction across all working age claimants.
- 5.4 As well as the protection for pensioners, the council could consider further protection for particular groups, for example certain classes of disabled claimants. It is likely that the cost of such additional protection would need to be met by the other working age claimants, increasing the benefit reduction for this group. For example to protect all people in receipt of a disability premium it would cost £576k per year, which equates to a further 9% reduction across all working age claimants to a total of 44%.
- 5.5 It is suggested that this option is included in the consultation.

6. IMPACT OF THE PROPOSED NEW SCHEME & MITIGATING ACTIONS

Impact of the proposed new scheme

- 6.1 Detailed analysis of our existing council tax benefit records shows that under the new council tax support scheme there will be a significant impact:
- 8,437 households who previously received 100% council tax benefit will now have something to pay
 - 2,226 households will be paying more council tax than before
 - of which 232 households who previously received some council tax benefit will no longer receive any support and will now have 100% to pay

Mitigating Actions

- 6.2 Although Pensioners will not be affected, the Council recognises the significant impact the changes will have on working age claimants of CTB in Peterborough.
- 6.3 The Council currently 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 within Operations.

6.4 The following list details some of these groups and activities:

Tackling Worklessness in Peterborough group (TWIP) - this group pulls together a wide range of partners, including DWP, to address worklessness and benefits dependency.

Financial and debt advice – the Council continues to provide funding to a number of voluntary sector, accredited information and advice agencies who focus on debt and financial advice to people who are in need. The main provider for this service is Citizens Advice Peterborough, but DIAL (for services to people with disabilities) and Age UK are also funded to provide similar services. The Council's proposal is to focus all of our investment in the voluntary sector from 2013/14 into organisations that can directly support individuals and families affected by the welfare reform.

Tackling Homelessness – the Council's entire Strategic Housing team is structured around preventing homelessness. In the main, the work of the team supports people who are already housed but who, for one reason or another, are finding it difficult or are unable to maintain that position. For example, the Supporting People programme provides housing related support for people with mental health issues, elderly or disabled people, young people leaving care and many more with the aim of ensuring they can remain living independently. The Care and Repair Service provides direct support to adapt properties to ensure vulnerable people can remain living at home. Our Housing Needs service manages the housing register on behalf of the city's social landlords, and allocates housing to those who need it most. In all cases, the client groups of people who are being supported by the Housing teams will be affected most by some of the reforms, and our preventative and proactive model of service delivery will mitigate against further decline.

Fuel Poverty – part of the Strategic Housing team's focus is to tackle fuel poverty. It is a basic human right to have access to warm affordable and secure housing yet some people aren't able to keep their homes warm leading to illness and other problems. Every increase in energy costs pushes more people into fuel poverty, and our team manages a range of initiatives, with partners, to address this problem locally (including home energy grants, insulation schemes, home adaptations, external cladding programmes etc).

Tackling Poverty – Neighbourhoods and Children's Services jointly lead on the council's new Tackling Poverty strategy and action plan. This is aimed at identifying those who are in poverty or are at risk of being pushed into poverty, and implementing a range of different, practical short and long term measures to support them. Seven distinct but linked strands form the action plan, ranging from short term solutions such as Food Banks and Credit Unions through to longer term goals such as apprenticeships and digital inclusion.

Cohesion – risks associated with reform include the rising tension amongst communities and the potential increase in social issues such as shoplifting. The Council has developed a comprehensive community cohesion action plan that supports groups of people who might be vulnerable to reform, such as young NEET people. This approach builds on the 'After the Riots' report from the unrest experienced elsewhere last year.

Welfare Reform Action Group – this new, cross-departmental and multi-agency action group has been formed to identify and lead on addressing the impacts of reform. The group is currently sharing data across agencies to fully understand who might be affected so that proactive contact can be made and appropriate, rapid solutions implemented.

Children and Families Commissioning Partnership – this new, collaborative commissioning Board brings together all of the officers and agencies who support vulnerable children and families, with the aim of making joined up and evidence based commissioning decisions with the end user as the core focus.

Mortgage Scheme - this scheme is designed to help first time buyers who have often stated that raising enough money for a deposit is the biggest challenge they face when looking to take their first steps onto the property ladder. Lloyds TSB and the Council joined forces to help first-time buyers purchase a home with a deposit of just five per cent. First time buyers will put down five per cent of the property price, and the Council will provide a cash backed indemnity of up to 20 per cent as additional security. The local authority then earns interest on this amount. The first time buyer owns the property in its entirety, and will have access to a range of products at a lower rate of interest than would normally be available for this level of deposit.

- 6.5 During and following the consultation period, the project team and the Neighbourhoods service will continue to work with these organisations to see what else can be done to minimise the impact of the CTB changes and support those people affected the most by these changes. These findings will be fed back to Cabinet alongside the consultation feedback.

7. CONSULTATION APPROACH

- 7.1 Following approval by Cabinet, due to the extent and the impact of the changes will have, there will be public and stakeholder consultations. It is proposed that this runs for six weeks from 25 September to 5 November 2012.
- 7.2 Consultation with the general public will be available through an online questionnaire available on the website to ensure everyone in the city has the opportunity to respond and have their say on the proposed changes. The questionnaire will be supported by further information on the proposed changes, including a 'Questions & Answers (Q&A)'. Copies of material will also be made available at council offices and libraries.
- 7.3 There will also be a targeted engagement with stakeholders and will include (but is not limited to):
- Drop-in sessions so the changes can be explained in person
 - CAB Peterborough
 - Registered Social Landlords & Private Landlords who attend our forums
 - DIAL (services to people with disabilities)
 - AGE UK
 - Tackling Poverty group
 - Welfare Reform Action Group
 - Children & Families Commissioning Partnership
 - Tackling Worklessness in Peterborough
 - Any other groups identified by the updating of the Equalities Impact Assessment

Dates and venues for the drop-in sessions will be publicised at the launch of the consultation.

There have also been initial discussions about these changes with officer representatives from the Councils' major precepting authorities. These organisations will continue to be included in the consultation process.

- 7.4 Following the consultation exercise, there will remain a need to communicate effectively and directly with all affected households ahead of the implementation from 1 April 2013.
- 7.5 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:
25 September to 5 November 2012:	Public Consultation & updating Equalities Impact Assessment following engagement with affected groups
12 November 2012:	Scrutiny
December 2012	Cabinet approval
31 January 2013:	Deadline for Full Council to approve a new scheme and avoid the default scheme
February & March 2013:	Staff and public awareness campaigns, issue of council tax bills showing 'Council Tax Support' as a discount. Direct engagement with all affected households
1 April 2013:	Council Tax Support goes live

The exact timescale is being worked through, and may necessitate changes to the current meetings schedule.

8. REASONS FOR RECOMMENDATIONS

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

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 Over recent months the Council has undertaken detailed analysis and produced many different models looking at options for targeting savings towards particular aspects of the benefit scheme. These are listed with an outline of the possible savings below:

- **Maximum amount of Support** - Limit to £23.15 per week (Band C) saves £33,000 per year
- **Minimum amount of Support** - Limit to £2.00 per week saves £10,000 per year
- **Capital limit** - Reduce from £16,000 to £6,000 saves £33,000 per year

- **Adjust the figures used in the benefit calculation** – the Council considered this but discounted changing these amounts as they are set by the Government as the minimum requirements for a person to live off and determine how much benefit someone may be entitled to. They also provide support for vulnerable claimants and those trying to return to work
- **Alternative Maximum Council Tax Benefit (Second Adult Rebate)** - this rebate of up to 25% considers the income of any second adult in the property whose occupation has removed the single person discount. There are currently only 55 second adult claims in Peterborough and removing this rebate from our Council Tax Support scheme will save £18,000 per year

9.2 Overall, accepting all of these proposals would only reduce the overall reduction in benefit from 35% to 33%. As a result, it is not considered that these targeted savings, which impact directly on a limited number of claimants, should be part of the proposed scheme. The consultation will seek views in this area.

10. IMPLICATIONS

10.1 Elected Members

Further to this Cabinet meeting and the intended period of consultation, this proposal will then be presented to Scrutiny on 12 November 2012 before Full Council and all Elected Members will be asked to approve the draft scheme before 31 January 2013.

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.

10.2 Financial

Government funding for the localisation of Council Tax Support schemes will be cut by 10%. This will be based on 90% of forecast CTB expenditure for 2012/13. The funding will be an up front allocation for all billing and major precepting authorities and will not be ring fenced. The Council will not receive confirmation of the grant until late November/early December 2012 as part of the 2013/14 Formula Grant consultation.

No account of unforeseen increased demand for support will be taken into account when allocating the grant. The proposed fixed grant to local authorities represents a significant financial risk as it will not include any provision to manage increased take up.

The Council will also receive funding for the increased administration cost of the new council tax support scheme, although it is not yet clear whether this will be fully funded. The Council has received an initial implementation grant but has not been given the details of the administration grant.

The new Council Tax Support scheme must achieve a balance between delivering the required expenditure reductions and managing any adverse financial implications such as the effect on council tax collection rates and the cost of collection.

10.3 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 31 January 2013.

10.3 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 discussions thus far.

Shared Transactional Services staff at Manor Drive and Customer Services staff at Bayard Place will require training ahead of the 1 April 2013 implementation of the new scheme.

10.4 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. This may include a need to revisit the scheme after year one.

10.5 Equality and Diversity

The impact of the new scheme will need careful consideration throughout the consultation and implementation stages. A thorough consultation and engagement process is being designed to support this.

An initial and full Equalities Impact Assessment (EIA) together with an action plan has been developed, will be updated over the coming weeks and published on the website as with all other EIA's.

11. BACKGROUND DOCUMENTS

11.1 Link to supporting documents

Council Tax Benefit Regulations:

<http://www.legislation.gov.uk/uksi/2006/215/contents/made>

DCLG – Localising Council Tax Support:

DCLG – Localising Council Tax Support - Equality Impact Assessment:

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

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