

**Agenda Item No:** **Report No: 145/12**

**Report Title: Preparations for a Localised Council Tax Support Scheme**

**Report To: Scrutiny Committee Date: 6 September 2012**

**Cabinet Member: Councillor Andy Smith**

**Ward(s) Affected: All**

**Report By: Director of Finance**

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**Purpose of Report:**

To provide an update on preparations for the Localised Council Tax Support scheme from April 2013/14.

**Officers Recommendation(s):**

- 1 That Scrutiny Committee notes the progress to date.
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**Reasons for Recommendations**

- 1 To note preparations for introduction of the Localised Council Tax Support Scheme from April 2013.
- 2 **Localised Council Tax Support scheme.**

**Background**

- 2.1 All district and borough councils are "Billing Authorities". In East Sussex this means they have responsibility for collecting their own council tax, as well as that for East Sussex County Council, Sussex Police Authority, East Sussex Fire Authority and the Town and Parish Councils. In the current year Lewes District Council collects and distributes £63m.
- 2.2 Taxpayers may qualify for discounts and exemptions from council tax as well as an entitlement to Council Tax Benefit.
- 2.3 The Government is providing councils with greater control over certain discounts and exemptions with effect from April 2013 and Cabinet will consider a report on this at its October meeting.

- 2.4** The Local Government Finance Act 2012 will require each Billing Authority to implement a Local Council Tax Support scheme.
- 2.5** The new scheme replaces the existing Council Tax Benefit scheme. An outline of the changes reported to Cabinet on 12 July 2012 can be found here: <http://cmispublic.lewes.gov.uk/Public/Binary.ashx?Document=5007>
- 2.6** Both schemes are means tested. One of the main implications of moving from a national to a local scheme is that the one set of national regulations written by one team for the country, are about to be replaced with equally detailed regulations produced by many councils.
- 2.7** East Sussex Councils have produced a common framework of principles for the local schemes and have jointly commissioned production of detailed regulations. This joint approach minimises cost and provides value for money to local taxpayers.
- 2.8** The draft regulations for the East Sussex Scheme have been commissioned from ACS Independent Consultancy & Training Support, who are also working with a number of other councils.
- 2.9** Pensioners are protected when the new arrangements start, as though the former scheme continues. The Government will continue to provide the regulations that underpin their entitlement calculations.
- 2.10** People of working age however will be considered under the new local scheme regulations.

## **Consultation**

- 2.11** The public consultation phase of draft Localised Support for Council Tax Schemes has commenced across East Sussex. Lewes District Council's consultation runs from 13 August 2012 to 29 October 2012. Views can be sent direct to the Council or made via an on line survey at <http://www.lewes.gov.uk/news/20499.asp> .
- 2.12** Legislation required the Major Preceptors (East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority) to be consulted prior to the launch of the main public consultation. This was undertaken.
- 2.13** Central Government currently reimburses councils for the cost of council tax benefit paid out and from next April it will pass 90% of these funds to Councils. This will leave the Council 10% short, just under £1m taking account of an expected rise in demand. The percentage funding cut is the same for all councils across the country.
- 2.14** All Council's will need to make some important decisions about who will get financial support towards their council tax and how much they will receive.
- 2.15** East Sussex councils are looking at options and how these might affect local people.
- 2.16** Currently one in five households in Lewes District receive Council Tax Benefit and unless these people are pensioners who are a protected group they are likely to be directly affected by any changes made to the level of support provided.

## **Scheme Design**

**2.17** Any tax and benefits scheme needs to consider the trade off between simplicity and transparency and fairness and policy objectives. In addition to the overarching financial considerations the parameters of the new scheme will need to have regard to:

- (a) Government requirements;
- (b) Local economic conditions;
- (c) Local policy priorities;
- (d) Demographic changes;
- (e) Compliance with legal duties and risk of legal challenge;
- (f) Software constraints, particularly in the short term; and
- (g) The consequences of behavioural change by individuals.

**2.18** The timescales for implementation are extremely challenging and there will be limits on the scheme design choices available to the Council at least in the short term. It will be important for the Council to closely monitor the impact of its first scheme in order to ensure it can be refined and improved over time and to recognise the risk of unintended consequences arising as a result of the Scheme.

**2.19** Three high level options have been identified for a possible scheme design:

- (a) Minimum discount;
- (b) Changes to means testing; and
- (c) Maximum discount.

### **Minimum Discount**

**2.20** This approach introduces a de minimus level at which the Council will start providing support. At present the level is set at 50p in regulations.

**2.21** There are some advantages and disadvantages with this approach:

- (a) The savings only affect a small number of customers;
- (b) It may not fit the government's objectives for making work pay;
- (c) Council tax will be relatively easy to collect;
- (d) It would not in itself generate significant savings;

### **Maximum Discount**

**2.22** Using this approach the Council would cap the amount of discount to a Council Tax Band linked to the size of a household. So for example, a single person linked to Band A, a couple to Band B, a couple with one child Band C etc.

**2.23** There are some advantages and disadvantages with this approach:

- (a) There are a variety of variables that could be applied to deliver the savings but only the harshest application would deliver the full amount;

- (b) This may be perceived by the general public as a “fairer” design than the other model types;
- (c) There is some ability to tailor this to meet wider policy objectives for example about making effective use of the housing stock;
- (d) It may be difficult for some to find suitable accommodation within the band limitations particularly in social housing;
- (e) In some areas the nature of the Council Tax Base means this would need to start in Band B or C and move upwards. This would also make the scheme more difficult to administer as it would need to be Parish specific. This could also encourage "benefit migration" to towns with more lower banded properties increasing rural inequality;
- (f) There could be some households who lose significantly from this approach.

**2.24** A variation on this scheme is to fix support as a maximum monetary amount per week. So for example a single person maximum of, say, £15.

### Modelling

**2.25** Given the time and resource constraints and capacity that software suppliers have to accommodate changes we have undertaken modelling along with the other East Sussex Councils based on the parameters shown in the table below.

Option	LDC (£000's)
Remove Second Adult Rebate	8
Reduce Capital limit to £6k	47
Increase non-dependant deductions	152
Maximum Benefit of £20	327
Minimum Benefit £5pw	20
<b>Total</b>	<b>554</b>

**2.26** We estimate that the 10% funding cut and the increase in take up will amount to a funding shortfall around £1m for the Council. If Cabinet is minded to maximise the new freedoms from Council Tax discounts and exemptions when it considers the matter, the shortfall would be covered by that decision and the modelling above. The final scheme design would however need to be made following consultation responses and an updated financial assessment.

## Consultation

- 2.27** Lewes District Council is currently consulting on the following scheme choices:

### **Scheme 1**

The intention is to meet the majority of the 10% shortfall by using flexibilities on council tax discounts and exemptions. Reductions in the amount received by those currently on benefit would need to be made to finance the remaining amount of approx £0.6m.

### **Scheme 2**

To introduce a scheme which proposes no changes to the current levels of council tax support. This would make use of the flexibilities on council tax discounts and exemptions but would also mean an increase in council tax for all Lewes District Council residents.

### **Scheme 3**

The Council may consider a further scheme based upon feedback from the consultation process.

- 2.28** The Scrutiny Committee is asked to contribute to the consultation process. The draft scheme documents can be accessed at this web address <http://www.lewes.gov.uk/council/20492.asp>
- 2.29** East Sussex Councils have organised joint consultation events with a number of organisations looking after the interests of specific sectors within the community where the work of an organisation transcends district/borough boundaries. Where organisations operate solely within one Council area, local consultations will be organised.
- 2.30** A summary of responses to the consultation which ends on 29 October will be reported to Cabinet on 20 November. The legislation requires the scheme to be approved by full Council and the proposed scheme, taking account of the consultation responses will be ready for consideration by the Council at its meeting on 5 December 2012.
- 2.31** Every Council must approve a local scheme before 31 January 2013.
- 2.32** The previous report to Cabinet on 30 May 2012 explained how this new scheme affected the council taxbase calculations and had the potential to adversely impact upon Town and Parish Councils and that a solution had been forwarded to the Government. Following pressure from the national Society of Local Council Clerks and the Society of District Council Treasurers as well, a six week consultation was launched on 28 August about "Localising support for council tax - Council tax base and funding for local precepting authorities". The closing date is 9 October 2012.

- 2.33** The Head of Finance has been invited to attend the Lewes District Association of Local Council's September meeting in order to outline what the original proposed changes would mean for the coming year's budget setting process and what a preferred solution might look like as a result of the latest consultation. The Association's will also be invited to input to the main consultation process on the Council's scheme.

### **Financial Appraisal**

- 2.34** The Local Council Tax Support Scheme requires significant software changes in readiness for the calculations to be undertaken after the Council budget setting meeting on 27 February 2013.
- 2.35** The Government impact assessment of this new policy recognises there will be additional costs to design, consult and prepare local schemes. An initial grant of £84,000 has been made to each billing authority (Lewes District Council) and £27,000 to Major Preceptors (East Sussex County Council, Fire and Police Authorities).
- 2.36** £2,650 has been utilised on modelling the impact of changes (reported to Cabinet 30 May 2012) and the balance is available to fund costs such as project management, scheme design, consultation, application software, publicity and staff training.
- 2.37** The Council's share of drafting a local scheme with common principles across East Sussex (to date) amounts to £2,000.
- 2.38** Wealden District council has hosted our on-line survey work and we have assisted with providing reporting tools to help Wealden analyse its taxbase, in return.
- 2.39** Wealden, Lewes and Rother use the same software supplier "Academy Business Solutions" and the one-off charge for software upgrades is £59,000 each. These upgrades include the work to support a scheme going live from next April plus any further work that arises during the first year of operation, in readiness for the start of the second year.

### **Sustainability Implications**

- 3** I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a progress report.

### **Risk Management Implications**

- 4** The risks remain as identified in the previous report and a full update will be included in the report to Council on 5 December 2012.
- 5** One of the risks is related to the financial impact of an increase in take up. The Government's own impact assessment identifies the level of potential additional take up for pensioners and those of working age. Our modelling takes this into account.

### **Equality Screening**

- 6** The equality implications are being addressed by the East Sussex Project Management Board as part of the scheme design and consultation process. We recognise that failure to address equality implications has led to a number of recent

legal challenges across the country where councils have failed to give proper consideration when making policy decisions. We will ensure a thorough assessment is undertaken and we will include an assessment when the scheme proposed for approval is considered by Council on 5 December 2012.

## **Background Papers**

- 7** Cabinet Report 30 May 2012 Preparations for a localised Council Tax Support Scheme. <http://cmis.lewes.gov.uk/CmisWebPublic/Binary.ashx?Document=5007>
- 8** Society of local council clerks press release and response to the consultation process. <http://www.slcc.co.uk/news-item/parish-pressure-ministers-into-council-tax-benefit-review/272/>
- 9** Technical reforms of Council Tax : Government response to a consultation <http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltaxsors>
- 10** Localising Support for Council Tax: Government updated impact assessment <http://www.communities.gov.uk/documents/localgovernment/pdf/2158675.pdf>
- 11** Localising support for council tax - Council tax base and funding for local precepting authorities: Consultation. <http://www.communities.gov.uk/publications/localgovernment/localpreceptconsult>
- 12** The Lewes District Council draft scheme documents <http://www.lewes.gov.uk/council/20492.asp>