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EXECUTIVE BOARD – 9TH OCTOBER 2013

LATE ITEM OF BUSINESS

REPORT ENTITLED, 'LOACLISED COUNCIL TAX SUPPORT SCHEME'

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Report of Assistant Chief Executive (Citizens and Communities)

Report to Executive Board

Date: 9th October 2013

Subject: Localised Council Tax Support scheme

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| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of the main issues

- 1 The local Council Tax Support Scheme replaced the national Council Tax Benefit Scheme in April 2013 and each year Councils are required to review the local scheme, consult on any changes being considered and publish the scheme for the coming year by 31 January. If a Council decides not to adopt a new scheme or fails to adopt a new scheme by 31st January, then by default the current year's scheme becomes the scheme for the following year.
- 2 The 13/14 scheme has been in operation for 5 months and while collection rates are lower than in comparison to previous years, they are in line with budget expectations which were adjusted to reflect the changes to Council Tax Support. The current scheme provides full protection from any reduction in support for certain groups with others having a 19% reduction in support. The Council and precepting authorities increased funding by around £0.5m in order to support the full protections for agreed vulnerable groups. Those with a 19% reduction in support include people in work and jobseekers as well as customers getting lower rates of disability benefits and some people on income support not required to look for full-time work. It is not felt appropriate to recommend any significant changes to the scheme until there is more evidence about the overall impact of the scheme. However, legal advice suggests that any changes that might be considered to the scheme require that a public consultation exercise is undertaken.
- 3 Government funding for 14/15 schemes will be the same as 13/14 but the funding will not be separately identified within the Council's settlement figure. Neither is the funding ring-fenced. The final scheme design will therefore be dependent on the level of funding the Council and precepting authorities wish to put into the scheme and the extent of any increase in Council Tax charges. On the basis that at this stage the Council cannot rule out a Council Tax increase, and taking into account legal advice, there is a need to consult on a scheme that is the same as the current scheme in all aspects except for an adjustment to the % reduction for non-protected groups in the event of a Council Tax increase.

4 The report, therefore, seeks approval to carry to a public consultation on this basis.

Recommendations

Executive Board is asked to:

1. Approve consultation on a scheme which:
 - a. keeps costs within current budgeted spending levels;
 - b. continues to provide full protection for the same groups that are currently fully protected; but
 - c. potentially changes the % reduction in Council Tax Support for non-protected groups to reflect the possibility of a Council Tax increase both for 14/15 and in future years.
2. Receive a report in December 2013 with the outcomes of the consultation so that the Board can make a recommendation to full Council on the scheme to be adopted for 14/15

1. Purpose of this report

- 1.1. The report seeks approval for a public consultation exercise on a change to the current local Council Tax Support scheme that could see the % reduction for non-protected groups increased to reflect the possibility of a Council Tax increase in 14/15

2. Background information

- 2.1. The Local Government Finance Act 2012 replaced the national Council Tax Benefit scheme with a prescribed Council Tax Support scheme for pensioners and also required that Local Authorities put in place a local Council Tax Support scheme for working age claimants from April 2013. Government funding for both the prescribed pensioner scheme and the local working age scheme was reduced nationally by 10% in 2013-14 compared to funding for the Council Tax Benefit scheme. The prescribed pensioner scheme continues to support pensioners in the same way that the Council Tax Benefit scheme supported pensioners meaning that the overall 10% reduction in funding falls entirely on the working age scheme.
- 2.3 Funding for Council Tax Support Schemes for 2014-15 will be at the same level as 2013-14, and will be included within of the council's Revenue Support Grant. The amount of funding will not be separately identified and council's may decide how much of the Revenue Support Grant to spend on Council Tax Support for working age claimants. The Board will be aware that the overall funding settlement for 14/15 will be considerably less than the current year.

The current scheme

- 2.4 Following a comprehensive public consultation, the council agreed a local Council Tax Support Scheme for 2013-14 that saw Council Tax Support reduce by 19% for the majority of working age customers but with some groups protected from any reduction. The protected groups are:

- War Widows and War Pensioners
- Claimants entitled to the severe and enhanced disability premiums
- Carers
- Lone parents of children under the age of 5

Second adult rebate was also abolished for working age claimants. An outline of the scheme is provided at appendix 1

- 2.5 As a result of the Council agreeing a Council Tax freeze, the costs of the adopted scheme were estimated at £49.672m against an actual spend of £54.379m under the Council Tax Benefit scheme. The overall grant for Council Tax Support was £49.201m and the Council and major precepting authorities were required to contribute a total of £471k.

Impact of the current scheme on collection

- 2.6 Currently 32,530 households are subject to a 19% reduction in support compared to Council Tax Benefit and an additional £4.239m in Council Tax is due from these households.
- 2.7 Overall Council Tax collection is forecast to reach the budgeted in-year collection target of 95.5% by the end of the financial year. This is a reduced target compared to previous years and reflects the added difficulty in collecting the additional Council Tax in a timely manner. The current position could change and it is clear that a number of people are struggling to pay. Over 7,000 summonses have been issued to people who previously received full Council Tax Benefit – some of those issued with a summons will be people who are not required or supported to look for full time work.
- 2.8 However, it is too soon to draw conclusions about the current scheme and use these to develop different schemes. There is an intention to commission additional work to look at the fuller impact of the scheme with a view to using this analysis to help develop future schemes.

3. Main Issues

Requirements for 2014-15

- 3.1 The council is required to review the local Council Tax Support scheme each year. The existing scheme can be continued, or a new scheme agreed. The Local Government Finance Act requires that if the scheme is to be changed the council must undertake consultation with persons likely to be affected and the major precepting authorities ahead of adopting a scheme. If a new scheme means that households are worse off the council must consider whether it needs to make transitional provisions to limit the extent to which households lose support from one financial year to the next.
- 3.2 On the basis that no additional funding is likely to be provided for 14/15 scheme and given the relatively short time the current scheme has been operational, there is no rationale for fundamentally reviewing the scheme at this time. There is, however, the need to consider the impact of a potential increase in Council Tax on the current scheme and to consider the adjustments that would need to be made to keep spend within current budgeted costs.

- 3.3 The options for dealing with the impact of a potential Council Tax increase in 2014/15 within the current scheme are limited:
- a) The Council and major precepting authorities could put extra funding into the scheme to maintain the current scheme in full. A 2% increase in Council Tax would require additional funding of around £1m over and above current scheme funding. This would be very challenging given the funding pressures faced by the Council;
 - b) Remove or reduce the level of protection for protected groups. The public consultation undertaken for the 13/14 scheme showed support for protecting certain groups. It is not recommended that changes are made to the levels of protection provided until more detailed analysis of the impact of the current scheme is available.
 - c) Adjust the % reduction in Council Tax Support for non-protected groups. A potential 2% increase in Council Tax would see the % reduction for non-protected groups change from 19% to around 26% or 27% depending on caseload factors.

Annual benefits uprating

- 3.4 Amendments are required to the scheme to take account of the annual benefit uprating. It is recommended that rates used in the Council Tax Support scheme are uprated in line with rates used in Housing Benefit administration. These are published by the Department of Work and Pensions each December. If the rates are not uprated this will increase some Council Tax Support awards and increase overall expenditure on the scheme. Scheme changes simply to reflect annual uprating are unlikely in themselves to trigger a requirement for public consultation.

Changes to Prescribed Regulations

- 3.5 The Local Government Finance Act allows for further prescribed regulations to be laid. DCLG have indicated that there are likely to be minor changes to the prescribed regulations and the Council Tax administration and enforcement regulations, but are unable to say at this time what these are. Any additional prescribed regulations must be incorporated within the local scheme

Universal Credit

- 3.6 Universal Credit is now unlikely to roll-out during 2014-15 but under migration plans, claimants in the pilot areas who move into the local area may continue to claim Universal Credit if their circumstances mean that they qualify for it.
- 3.7 The Local Council Tax Support scheme provides that Universal Credit claimants are treated as set out in the national default scheme for 2013/14. The impact of this is that out of work claimants will receive a level of support similar to the level they received under the legacy benefits system; however working claimants whilst better off under universal credit will receive little or no Council Tax Support. It is recommended that until Universal Credit impacts are clearer that no change is made to the local scheme for 2014-15 but that we develop a strategy for determining how support for universal credit claimants is determined in 2015-16. This will impact upon the majority of the working age Council Tax Support caseload by 2017 when the government plan that universal credit will have been fully implemented.

Exceptional Hardship

- 3.8 A separate report is before the Board today dealing with the Local Welfare Support Scheme. That report contains a recommendation that Local Welfare Scheme funding is

used to establish an exceptional hardship fund to support the Council Tax Support scheme in 13/14. If approved, the Board may also wish to give some direction on whether an exceptional hardship scheme should also be created for 14/15 using Local Welfare Scheme funding.

- 3.9 It is proposed therefore that the current scheme is retained for 14/15 with adjustments made to the % reduction in support for non-protected groups in order to reflect additional scheme costs arising from a potential Council Tax increase and keep the scheme costs within the 13/14 budgeted spend.

4. Corporate Considerations

4.1 Consultation and engagement

- 4.1.1 The report is seeking approval to undertake a formal consultation exercise on retaining the current scheme design with the level of support to non-protected groups adjusted to reflect a potential Council Tax increase. The consultation, if approved, will run until the end of November 2013. An outline engagement plan is enclosed at appendix 2.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 A detailed impact analysis was carried out during preparations for 2013-14. An updated impact analysis will be undertaken on the preferred scheme for 2014-15 before a final decision is required.

4.3 Council Policies and City Priorities

- 4.3.1 The implementation of a local Council Tax Support scheme is a key priority for the Council and is an important aspect of the financial support provided to help address poverty and deprivation.

4.4 Resources and Value for Money

- 4.4.1 Costs associated with the administration and delivery of the scheme are met through new burdens funding for Council Tax Support Schemes provided by DCLG. Fixed funding for schemes is provided within the Revenue Support Grant but any spend over and above the allocated grant is met by the Council and major precepting.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Councils are required to confirm existing scheme or adopt a new local schemes by 31st January each year and in order to do so need to undertake meaningful consultation with major precepting authorities, the public and groups with an interest in the scheme design.
- 4.5.2 Although a full consultation was carried out ahead of the 13/14 scheme being adopted, legal advice is that further consultation is required where there are changes to the scheme. The intention is to consult on a scheme which builds in inflationary aspects so that any future consultations are limited to more fundamental changes.
- 4.5.3 There is a need to take the report as a late report due to the timetable for carrying out a public consultation exercise ahead of the need to adopt a scheme. The Council is required to adopt a scheme by 31st January 2014 and, in order to allow a 6 week consultation, approval to carry out a consultation exercise is required in October 2013. This will allow a consultation exercise to conclude at the end of November with the analysis and outcome of the consultation being available for the full Council meeting in January 2014.

4.6 Risk Management

4.6.1 The proposal to maintain a scheme for 2014-15 that utilises current systems and solutions helps to minimise the risk that a scheme cannot be delivered. Undertaking an effective consultation also mitigates the risk of legal challenge.

4.6.2 There remain risks associated with costs as these are affected by factors such as increases in caseload and increases in Council tax levels.

5. Conclusions

5.1 Retaining the principles of the current scheme allows the Council to continue to provide full protection to vulnerable groups and, with adjustments for non-protected groups, supports a cost effective scheme that is deliverable, familiar and affordable.

6. Recommendations

Executive Board is asked to:

1. Approve consultation on a scheme which:
 - a. keeps costs within current budgeted spending levels;
 - b. continues to provide full protection for the same groups that are currently fully protected; but
 - c. potentially changes the % reduction in Council Tax Support for non-protected groups to reflect the possibility of a Council Tax increase both for 14/15 and in future years.
2. Receive a report in December 2013 with the outcomes of the consultation so that the Board can make a recommendation to full Council on the scheme to be adopted for 14/15

Background Documents¹

None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1

Leeds City Council 2013-14 Council Tax Support scheme

Introduction

This document outlines the 2013-14 local Council Tax Support scheme. The complete scheme is available online at www.leeds.gov.uk/residents/Pages/Council-Tax-Support-from-April-2013.aspx

The government has set regulations which prescribe a scheme for claimants of state pension credit age, this scheme sets out the rules for working age claimants.

Eligibility and entitlement to Council Tax Support is based upon the national default Council Tax Support scheme which is similar to the national Council Tax Benefit scheme that was abolished 1 April 2013.

Any Local Authority that fails to adopt a local scheme must provide support under the national default scheme. Funding provided by government for schemes is around 90% of the expenditure incurred operating the national default scheme. The majority of local authorities have made adjustments to the national default scheme to limit the extent to which local funds are required to pay for the scheme, some Local Authorities operate the default scheme.

Awards are means tested and determined by reference to the household composition, income and capital of the claimant and any partner; and by the income, capital and number of non dependants in the household.

Key Features of the Scheme

The Leeds scheme is based on the following principles:

- Working age claimants have their Council Tax Support reduced by 19% of entitlement calculated under the national default scheme.
- people with disabilities (entitled to a disability premium or disabled child premium) are protected from this requirement;
- people with dependant children under 5 are protected,
- people in receipt of a war disablement / war widow(er)s pension are protected,
- carers are protected

Classes of Reduction

Council Tax Support is calculated as a means tested discount, defined in principle by the terms of the government's default scheme with the exceptions as identified below:

- The Council Tax Award calculated in line with the provisions of the default national scheme is reduced by 19%.
- Second adult rebate has been abolished

As such most claimants of working age are expected to contribute some payment towards their Council Tax bill the amount is dependent upon individual financial circumstances.

Protected Classes

These people are not subject to the reduction in benefit of 19% and continue to receive Council Tax Support equivalent to 100% of their entitlement under the national default scheme for working age customers.

A customer falling within the protected classes:

- is a lone parent with a child under the age of 5 or
- qualifies for a severe disability premium or enhanced disability premium or
- is in receipt of a War Pension or War Widows Pension
- qualifies for a carers premium

The three conditions that qualify for a severe disability premium are:

- The householder must be in receipt of the high or middle rate care component of disability living allowance or receive Attendance Allowance and

- The householder must not be being looked after by someone who receives carer's allowance for looking after them and
- The householder must have no one living with them aged over 18 years unless that person is registered blind or in receipt of high or middle rate care component of disability living allowance or receive Attendance Allowance.

The qualifying criteria for an enhanced disability premium are:

- The householder (or their partner if they have one) are aged under pension credit age and
- The householder (or their partner if they have one) receive the highest rate of the care component of disability living allowance or
- A child or young person in the family receives the highest rate of the care component of disability living allowance.

Backdating

The backdating rules in the national default scheme, which allow claims to be backdated for up to 6 months apply.

Applications

New applications must be made in accordance with the national default scheme

Evidence

Leeds City Council may request such evidence as it requires to determine entitlement. Claimants are given one month to provide any information requested.

Amendment and Withdrawal of Application

Claimants may amend any application before Leeds City Council has made a decision on it. Claimants can withdraw an application at any time.

Claimant's Duty to Notify Change in Circumstances

Claimants have a duty to notify Leeds City Council of any changes in their circumstances that may affect entitlement.

Overpayments

Any overpayment of Council Tax Support granted to which a claimant was not entitled to receive is recovered by an adjustment to the Council Tax bill.

Appeals Process

Claimants have the opportunity to make written representation where they believe their claim has been dealt with incorrectly and we will look at this decision again. Where a claimant remains unhappy with a decision following the above process, they may appeal to the Valuation Tribunal.

Appendix 2

2014-15 Council Tax Support (CTS) Scheme engagement plan

Background

The Local Government Finance Act requires that in preparing or revising a scheme the authority must in the following order:

1. Consult with any major precepting authority which has power to issue a precept to it,
2. Publish a draft scheme
3. Consult with such other persons as it considers are likely to have an interest in the operation of the scheme

Prior to the introduction of the 2013-14 Local Council Tax Support scheme the authority carried out a comprehensive consultation.

We are required to undertake a further consultation to inform decision making around changes that are required and other changes that are being considered for the 2014-15 scheme.

Objectives

To build on engagement activity undertaken in 2012 and 2013 to increase awareness and understanding of the change to a Local Council Tax Scheme amongst stakeholders, including residents/claimants.

To further understand stakeholders views on the principles of the current and proposed CTS local scheme options and support the Equality Impact Assessment (EIA) process

Recommendation

It is recommended that a smaller scale consultation is undertaken this year to gather views in the changes under consideration. The large scale consultation last year provided a very detailed insight into public opinion and the consultation this year should focus on the detail of the proposed changes and be targeted to a sample of those directly affected, but also open to the wider public and support organisations identified last year.

Stakeholders

Current claimants

'Vulnerable groups'

General population

Those at risk of homelessness

Those with children in household

Equality Act protected characteristics (incl. Equality Hubs)

Third sector umbrella groups

Advice/ support agencies

Elected members

Town and parish councils

Agencies involved in delivery

Agencies involved in mitigation

Suggested methods

Information sent electronically or on paper to umbrella groups, town/parish councils, organisational stakeholders

Attendance at existing group meetings/events (especially for vulnerable stakeholders)

Promotion of how people can have a chance to have your say through channels such as: Leeds City Council web site and poster campaign - targeted to communities mostly affected and a direct mailshot to a 10% sample of those likely to be directly affected

Awareness raising with front-line staff in One Stop shops, libraries, Children's Centres etc

Timescales

The main phase of engagement will take place during October and November 2013 to inform decision-making in January 2014

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