

Report of Director of Resources

Report to Council

Date: 16th January 2013

Subject: Local Council Tax Support Scheme

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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" 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 main issues

1. The Local Government Finance Act 2012 requires Councils to agree and adopt by 31st January 2013 a local scheme of Council Tax Support to take effect from April 2013. The local scheme replaces the national Council Tax Benefit scheme for working age customers which is abolished from the end of March 2013. A national Council Tax Support scheme will remain for pension age customers.
2. Councils and precepting authorities will receive grant funding as a contribution to the costs of providing both the local scheme for working age customers and the national scheme for pension age customers. The total grant for Leeds City Council plus the related elements for the Police Authority, the Fire and Rescue Service and Parish Councils is £49.2m for 13/14 against a projected current year spend of £54.3m.
3. A public consultation exercise was undertaken and, following a report to the Executive Board in December 2012, the Executive recommended a local scheme for adoption by Council that would see certain vulnerable groups protected from reductions and other working age customers facing a reduction in support. The Executive also agreed that the costs of protecting vulnerable groups would be met by the Council and precepting authorities
4. Additional work was undertaken in relation to Second Adult Rebate scheme and the outcome is a recommendation that this scheme is removed.

5. Recommendations

Members are requested to adopt a local Council Tax Support scheme that:

- Protects lone parents with children under 5, carers and customers in receipt of severe or enhanced disability premium from reductions in support;
- Protects people in receipt of Armed Forces Compensation Payments from reductions in support and includes continuing the longstanding policy whereby the Council has exercised its discretion to disregard war pensions in full;
- Continues to support people moving into work by continuing to apply the current run-on scheme which sees qualifying people who move into work continuing to receive the same level of support for the first 4 weeks of work;
- Removes the Second Adult Rebate scheme; and
- Reduces Council Tax Support entitlement for all other working age customers by 19% as calculated using the Government's default scheme regulations which mirror and replace the current Council Tax Benefit regulations.

2 Purpose of this report

2.2 The report sets out a recommended local Council Tax Support scheme for adoption by Council. The scheme will operate for the 13/14 financial year and would become the default scheme for 14/15 unless Council adopts a different scheme for the 14/15 financial year.

3 Background information

3.1 As part of the Government's Welfare Reform programme, Council Tax Benefit is being abolished and replaced with local schemes of Council Tax Support decided by billing authorities. The key elements of the reform are:

- A national scheme will remain in place for pensioners which will see pensioners continuing to receive the same levels of support;
- Government funding will be reduced nationally by 10% with the funding needing to cover the cost of the national scheme for pensioners as well as the cost of the local scheme for working age customers;
- Billing authorities are largely free to decide local schemes but any costs over and above the level of Government funding would need to be met by the billing authority and precepting authorities;
- Failure to adopt a scheme by 31st January 2013 would see a default scheme imposed. The default scheme is equivalent to the current Council Tax Benefit scheme and the extra costs of this scheme would have to be met by the council and precepting authorities.

- Billing authorities will be required to adopt a local scheme each year. However, if in future years an authority does not adopt a scheme, the previous year's scheme becomes the default scheme and continues to operate.

4 Main issues

- 4.1 In December 2012, the Executive Board considered a report on local Council Tax Support scheme options. The report, which is attached at appendix 1, presented the outcomes of the public consultation exercise and set out a number of scheme options in response to the consultation.
- 4.2 The Executive supported a scheme that would see certain vulnerable groups protected from reductions in support, with the costs of protecting these vulnerable groups being met by the council and precepting authorities. These groups are:
- Lone parents with children under 5;
 - Carers; and
 - Customers getting enhanced or severe disability premium
- 4.3 The Executive also supported protecting customers in receipt of War Widows Pensions and War Pensions from reductions in support, including continuing to disregard income from these pensions when calculating entitlement. The remaining working age customers would face a reduction of between 17% and 19% - these figures were based on estimates assuming no change in caseload or Council Tax levels.
- 4.4 In late December, the Government confirmed that the total grant to be paid to Leeds City Council and the major and local precepting authorities would be £49.2m towards the cost of the local Council Tax Support scheme in 2013/14.
- 4.5 The main factors that will determine the final costs of the scheme are changes to caseload, both working age and pension age caseloads, the level of Council Tax levied (including precepts) and the split between in-work and out-of-work customers. Out-of-work customers tend to receive higher levels of Council Tax Support than in-work customers. In order to allow for potential changes to the costs of the scheme, it is recommended that a scheme which sees support reduced by 19% is adopted.

Second Adult Rebate

- 4.6 The initial public consultation was based on a published draft scheme that saw the Second Adult Rebate scheme removed. Further consultation was undertaken with the 573 recipients of Second Adult Rebates about the intention to abolish the scheme. The outcomes of this short consultation exercise are set out at appendix 2. In summary, 113 responses were received with 86% disagreeing with the proposal to remove the scheme. The main reasons for disagreeing with the policy were:
- The majority of the comments stated that the householder would suffer financial hardship.

- The majority of the remainder of the comments related the circumstances of the non-householder.

4.7 In response to these concerns, householders losing Second Adult Rebate would have the option of claiming main Council Tax Support instead. Similarly, the circumstances of the non-householder would be taken into account in the assessment for main Council Tax Support as it is with claims from couples with a non-dependent and households with more than 2 adults. In reality, many recipients of Second Adult Rebate have income levels too high to qualify for main Council Tax Support and, in the circumstances where the majority of working age customers will see a reduction in support, it would be unfair to maintain a scheme that takes little account of the income of the householder and pays benefit to households with income levels in excess of those required to be entitled to Council Tax Support.

4.8 It is recommended that the Second Adult Rebate scheme is removed.

5 Corporate Considerations

5.1 Consultation and Engagement

5.1.1 Public consultation was undertaken on the proposed changes. The results of the consultation are included as an appendix in the Executive Board report (appendix 1). The separate Second Adult Rebate consultation is shown at appendix 2.

5.2 Equality and Diversity / Cohesion and Integration

5.2.1 An Equality Impact Assessment has been undertaken and published

5.3 Council policies and priorities

5.3.1 The local Council Tax Support scheme is one of a number of welfare reforms that come into effect from April 2013. Others include the Benefit Cap, new under-occupancy rules in social sector housing and new local welfare schemes to be out in place by local councils. These changes, added together, have implications for key priorities around debt, housing and health.

5.4 Resources and value for money

5.4.1 The costs of providing funding for the protection of vulnerable groups, has resource implications for the Council and precepting authorities but is likely to reduce Council Tax arrears and lessen impacts on the collection fund.

5.5 Legal Implications, Access to Information and Call In

5.5.1 This decision requested in this report will enable the City Council to fulfil its responsibility under the Local Government Finance Act 2012 in relation to local council tax reduction schemes.

5.6 Risk Management

5.6.1 There is a risk that the adoption of a scheme that reduces financial support for working age customers increases the risks of non-payment of Council Tax. An assessment of the

impact of non-payment needs to be built into the calculation when setting the council tax base and will impact on the amount of Council Tax income for the council and the major precepting authorities.

5.6.2 Variations in Council Tax and/or caseload levels, including variations in numbers of customers in vulnerable groups, could lead to an increase in costs which would have to be met by the council and major precepting authorities. The recommended scheme provides for potential increases in costs.

6 Recommendations

6.1 Members are requested to adopt a local Council Tax Support scheme that:

- Protects lone parents with children under 5, carers and customers in receipt of severe or enhanced disability premium from reductions in support;
- Protects people in receipt of Armed Forces Compensation Payments from reductions in support and includes continuing the longstanding policy whereby the Council has exercised its discretion to disregard war pensions in full;
- Continues to support people moving into work by continuing to apply the current run-on scheme which sees qualifying people who move into work continuing to receive the same level of support for the first 4 weeks of work;
- Removes the Second Adult Rebate scheme; and
- Reduces Council Tax Support entitlement for all other working age customers by 19% as calculated using the Government's default scheme regulations which mirror and replace the current Council Tax Benefit regulations.

7 Background documents

None