

LOCALISATION OF COUNCIL TAX SUPPORT - UPDATE

Services Select Committee - 4 April 2013

Report of the: Chief Executive Designate

Status: For Information

Key Decision: No

Executive Summary: The Local Government Finance Act has introduced one of the biggest fundamental changes to the administration of Council Tax. The act requires all council tax billing authorities to put in place a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme to commence on 1 April 2013.

This report contains an update on the new scheme since it was last reported to this Committee in January.

This report supports the Key Aim of Effective Management of Council Resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager – Financial Services – Adrian Rowbotham

Recommendation to Services Select Committee: that the contents of this report be noted.

Background and Introduction

- 1 Up until 31 March 2013 Council Tax Benefit was a national scheme administered by local authorities but funded by central government. From 1 April 2013 each billing authority is required to have a local scheme for Council Tax Support in place
- 2 Government will pay a grant to contribute towards Council Tax “discounts” given to claimants. This will be paid directly to both district and upper tier authorities. Town and parish council’s have received additional funding passed via this council. The grant is lower than the current amount of Council Tax Benefit paid out by the authority by approximately 10%.
- 3 From 1 April 2013 all of the financial risk of new local Council Tax Support Schemes rests with local authorities. Nationally expenditure on Council Tax Benefit has roughly doubled in the last ten years so this is a significant financial risk. In the case of Sevenoaks there is an increased element of risk in that it has the highest proportion of people of pension age in Kent. The Government has ensured that pensioners are protected from any reform to Council Tax Support through local schemes and as a result any growth in this age group will require increased expenditure from a fixed sum of grant, with the resultant impact of less money available to support working age people with their Council Tax bill.

Scheme

- 4 The Sevenoaks District Council scheme was approved by Council on 27 November 2012 and consists of the following:
 - Agreement to operate for three years.
 - Standard reduction to their discount of 18.5% on all non-pensioner claimants – reduced to 8.5% in first year (i.e. currently receive 100% CT benefit, then receive 91.5% CT support).
 - Major Precepting Authorities (MPAs) will pay £125,000 to each billing authority to pay for administration, collection and recovery costs.
- 5 As MPAs (Kent CC, Fire, Police) are affected by the change to Council Tax Support as they receive a proportion of the Council Tax collected, they agreed to make a financial contribution to keep the reduction to claimants discounts as low as possible in year 1 and to help with the additional costs expected to be incurred by the billing authorities in Kent (e.g. Sevenoaks DC).
- 6 By setting the standard reduction at 8.5%, the Council will receive a one-off transitional grant from the Government of £27,531. This will be put aside to fund any further additional expenditure resulting from the new scheme.

Communication with affected residents

- 7 A consultation with affected residents took place in August and September 2012 and full details of the results were included in the report to Council on 27 November 2012.
- 8 All affected residents were written to on 4 February 2013 to advise them of the likely impact of the Council's scheme. Approximately 1,000 letters were sent to customers who were already required to pay some Council Tax. This letter advised them of the reduction in their support from April 2013 and signposted them to agencies that could provide budgeting and debt advice. No response was required from these customers.
- 9 A more detailed letter was sent to approximately 2,300 customers who will be required to pay Council Tax after previously having received full Council Tax Benefit. The letter gave examples of the likely levels of payment for an average Band C property and again signposted customers to appropriate agencies for budgeting and debt advice.
- 10 The statutory payment scheme for Council Tax requires payment over 10 months. The Council put arrangements in place for weekly and fortnightly payments as well as monthly payment over 12 months. A reply slip was enclosed which customers were required to send back if they wished to use one of the new payment methods.
- 11 As at 14 March 2013, 131 customers had chosen to pay fortnightly and 94 weekly. 209 customers had signed up for payments over 12 months. Whilst this option is open to customers who are not in receipt of Council Tax Support, the majority set up have been as a result of reply slips. This represents a response

rate of approximately 19% so far, with more customers calling in response to the annual bills which were issued on 11 March 2013.

- 12 Only 2 customers have returned the reply slip stating that they cannot pay anything and others have requested the Council Tax to be deducted from their welfare benefits. Regrettably, deductions cannot be made without the Council having obtained a liability order in the Magistrates' Court and the customer incurring additional costs. We have therefore written back to any customers who have made notes on their reply slips giving appropriate advice.
- 13 Information regarding Council Tax Support is shown on the reverse of all Council Tax Bills and has been included in the March edition of In Shape.
- 14 We have used part of the £125,000 received from MPAs to fund additional staff in Revenues for part of the year to assist with the enquiries arising from Council Tax Support. Whilst we conduct the recruitment process to fill the two fixed term contract posts, we have engaged one agency worker. He is currently engaged on answering calls from customers and providing advice on payment options.
- 15 Most customers will be required to make their first payment on 1 April 2013. We intend to interrogate the Council Tax database shortly after (but importantly before we produce the first reminder notices for the year on 12 April 2013) to identify cases where no payment has been made. Where we have contact telephone numbers for these customers, the additional staff will attempt to contact the customers. We will work with these customers to encourage payment whilst at the same time providing information as to where they can access budgeting and debt advice.
- 16 Our aim is to ensure that we engage with as many customers who are affected by the changes as possible and thereby avoid the need for formal recovery action.

Key Implications

Financial

- 17 By adopting a Kent-wide scheme, a significant proportion of the financial impact for the first three years will be borne by the MPAs instead of this Council.
- 18 The expected impacts of the change to Council Tax Support have been included in the 10-year budget.

Community Impact and Outcomes

- 19 A consultation has been undertaken on the potential effects of the scheme options, with the public and other affected parties.

Legal, Human Rights etc.

- 20 The final scheme approved by the council meets the requirements of the Local Government Finance Act.

Equality Impacts

21

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	The scheme will entail money being collected from some of the more vulnerable residents in the district, although this will be significantly less than if we had not agreed to be part of the Kent-wide scheme.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	Yes	The Government has prescribed that pensioners will be protected from any reduction in support as a result of this reform.
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		See Appendix B in the report to Council on 27 November 2012.

Conclusions

- 22 Localisation of Council Tax Benefit is seen by many as one of the biggest changes to local government since the Community Charge. In the current economic climate, the cost of benefits will continue to increase and the impact on district councils both financially and from a social wellbeing perspective is likely to be significant.
- 23 A further report will be presented to this Committee when the actual impact of the change to Council Tax Support is known.

Risk Assessment Statement

- 24 Actual collection of Council Tax from residents who previously received full Council tax Benefit may be different from the assumption included in the 10-year budget.

Appendices

none

Background Papers:

Report to Finance Advisory Group 13 June 2012 – Item 8 – Localisation of Council Tax Support

Report to Services Select Committee 19 June 2012 (also to Cabinet and Council) – Item 9 – Localisation of Support for Council Tax

Update to Finance Advisory Group 25 July 2012

Update to Finance Advisory Group 24 October 2012

Update to Services Select Committee 1 November 2012

Report to Cabinet 8 November 2012 – Item 7 –
Recommendation to Council on Local Council Tax
Policy

Report to Council 27 November 2012 – Item 5b –
Final Local Council Tax Policy Approval

Update to Services Select Committee 14 January
2013

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