

## LOCAL COUNCIL TAX SUPPORT SCHEME

### Cabinet – 8 November 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For consideration

Also considered by: Council – 27 November 2012

Key Decision: No

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**Executive Summary:** The Local Government Finance Bill has introduced one of the biggest, fundamental changes to the administration of council tax. The Bill will require that all council tax billing authorities put in place a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme by 31 January 2013, to commence on 1 April 2013.

This report updates Members on the progress made in developing a local Council Tax Support Scheme for Sevenoaks District, contains a summary of the responses to the council's consultation on its draft scheme and an Equalities Impact Assessment of the draft scheme. The report also sets out the developments in the negotiation of a Kent wide scheme and the latest announcement from Government regarding the design of local council tax support schemes.

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### 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

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**Recommendation to Council:** It be resolved that Cabinet consider the information provided in this report and recommend to Council a local Council Tax Support Scheme to commence on 1 April 2013.

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**Reason for recommendation:** The Council are required to develop and implement a local council tax support scheme to replace the current council tax benefit scheme through legislation in the Local Government Finance Bill.

The decision on the final scheme must be taken by Council and to meet the requirements of legislation the decision of Council must be made by 31 January 2013 and the scheme operational by 1 April 2013.

Failure to do so will result in the council being required to adopt the default scheme defined in legislation. This effectively is to continue operating the current council tax benefit scheme, but to do so with a reduction in funding of 10% on current levels.

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## Introduction

- 1 The current national scheme for council tax benefit will cease on 31 March 2013 and be replaced by local schemes from 1 April 2013.
- 2 Currently district councils, as billing authorities, make a “payment” of council tax benefit to eligible claimants and generally recover the full amount as grant from Government. The “payment” is by way of a charge to benefits and a credit to the council tax account. No cash is involved.
- 3 With new local schemes, if a claimant is eligible for any support it will be deducted as a “discount” from the council tax bill, rather than as a “payment”, in the same way as other discounts e.g. single person discount. This has the effect of reducing the council tax base for billing (Sevenoaks District Council) and major precepting authorities (Kent County Council, Kent Police Authority and Kent & Medway Fire and Rescue Authority). The Government has now stated that Town and Parish Councils will not be affected by this change and their council tax base will therefore be unchanged as a result of the introduction of local council tax support schemes.
- 4 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, but not parish councils. The grant will be a fixed amount and for 2013/14 (at least) it will be lower than the current amount of council tax benefit paid out by the authority by approximately 10%.
- 5 From 1 April 2013 all 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. For example, demographic change in the population will be born by councils in the future. 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.
- 6 One effect of these changes will be that some claimants who have not previously had to pay any council tax may be required to pay a proportion under a new scheme.
- 7 The fundamental questions to consider in developing local schemes are:
  - Should any other vulnerable groups (other than pensioners) receive an enhanced level of council tax support?
  - How much extra should existing council tax benefit claimants be asked to pay towards their council tax bill?
- 8 Sevenoaks District Council, as the billing authority, is the lead authority and is responsible for developing and approving a scheme.

- 9 The deadline for approving the new scheme is 31 January 2013 and it will become operational on 1 April 2013.
- 10 A consultation process has taken place to ensure that the views of the affected parties are taken into account before the new scheme is finalised. A summary of the results is provided within this report.

### **Constraints when devising a local scheme**

- 11 The timescale for implementation is extremely tight and it is almost impossible to devise a new scheme that is significantly different from the current council tax benefit regulations by 1 April 2013. It is the responsibility of lead authorities to devise a scheme, consult on it, put all administrative processes in place, procure and test software enhancements and notify claimants. All of this has to be done without detailed knowledge of the legislative requirements and without knowing how much grant will be received, as this information is yet to be published by Government.
- 12 Without careful consideration, analysis and testing of any proposals the risk of producing a local council tax support scheme with unintended consequences for claimants for 2013/14 is high.
- 13 Benefit and council tax administration are complex processes and authorities rely on specialist software. The benefits database includes core information that calculates entitlement for both housing benefit and council tax benefit. This means that if the data requirements for the local council tax support scheme are different from the data requirements for housing benefit, then data may need to be collected and input twice. This would result in a decline in service levels for customers and the likelihood that the council would incur additional costs.
- 14 There are only a few suppliers of specialist council tax and benefit software in the market. From discussions with them it is clear that it would be impossible for them to provide the resources to construct unique systems for potentially over 300 local schemes within the required timescale. The suppliers have informed Government of this issue.
- 15 It is not yet confirmed what functionality will be available to the Council from its current council tax and benefit system provider, or if all suppliers will offer the same functionality. The risk of system failure is the biggest single risk to successful implementation of the council's local support for council tax scheme.
- 16 Taking the above issues into account, one of the key criteria when selecting a new scheme is that it operates in a very similar way to the current council tax benefit scheme. In doing so it reduces the risk of encountering major problems in implementation and enables the council to continue to provide additional support for the most vulnerable groups, dependent on their individual circumstances, through the current council tax benefit calculation rules.

### **Developments in devising a local scheme**

- 17 An operational group of officers at this Council has been considering the possible options for developing a local council tax support scheme that takes into account

the stream of information provided by the Government during this year. There has also been a Kent-wide group consisting of billing authorities and major precepting authorities looking at alternative options. The Leader of the Council, the Chief Executive and the Director of Corporate Resources have all been heavily involved in negotiating a Kent-wide deal that minimises the risk to this council and limits the impact on affected groups.

- 18 A Kent-wide scheme could deliver significant advantages. It would reduce confusion for claimants moving between authorities within the county. Also, as the council operates a joint Revenues and Benefits Service with Dartford Borough Council, it would be much easier and more cost effective for staff to administer a common scheme across both authorities.
- 19 Members of the Kent Forum agreed a Kent-wide scheme that would be financially sustainable whilst minimising the impact on working age claimants. The scheme was presented to Council on 24 July 2012 and consisted of the following criteria:
- a. The District accepts a standard deduction of 18.5% on all non-pensioner claimants;
  - b. and agrees to reduce the exemption on Class C empty properties from 6 months to 3 months;
  - c. then Major Precepting Authorities will agree to reimburse the district if it incurs a cost on new council tax discounts from the local scheme that is higher than the grant receivable from the government;
  - d. and pay £125,000 to each district each year as a contribution to the increased administration, collection and recovery costs of the new scheme;
  - e. and reimburse each district reasonable increased administrative costs necessarily incurred if the case load on the local scheme (during the period of this agreement) exceeds the case load of the council tax benefit scheme (as at 31 March 2013) by more than 15%.
- 20 Members should note that the Kent wide scheme would apply for three years before it would be subject to review.

## **Consultation**

- 21 At their meeting of 24 July 2012 Council agreed that a consultation be carried out to collect peoples views on the proposal to reduce the amount of council tax benefit awarded to working age claimants by 18.5%, whilst protecting all pension age claimants as required by Government.
- 22 The council consulted over an 8 week period between 6 August and 30 September 2012. The consultation questionnaire set out the Council's preferred option and provided an opportunity for respondents to comment on the scheme and offer suggestions that could assist with the final scheme design.
- 23 A summary of the consultation process, including details of the range of measures taken to inform people of the consultation, a summary of the results and annexes

detailing the response provided by different categories of respondent is provided at Appendix A to this report.

24 In summary, the Council received 82 responses to the consultation. Of these 57 were completed online and 25 were sent in by post. The key results of the consultation are:

- 71% of respondents **agree** that pensioners should be protected from any changes to council tax benefit;
- 61% of respondents **agree** that the amount of local council tax support claimants receive should be based on the current council tax benefit calculation;
- 62% of respondents **disagree** with the Council's proposal for an 18.5% reduction in council tax support for all working age claimants; and
- 71% of respondents providing comments to the open text question suggested that further protections should be put in place within the Council's local support for council tax scheme rather than the reductions not occurring at all (21%).

## **Negotiation**

25 Since the last report was presented to Members in July, the Deputy Chief Executive and Director of Corporate Resources has been undertaking negotiations with Kent County Council to look at ways of reducing the effect on working age claimants from 18.5%. As a result of these negotiations the following improvements to the scheme has been provisionally agreed:

- a. If points 'b' to 'e' of the original 18.5% scheme, as set out at paragraph 19 above, are adhered to;
- b. and, in addition, the District agrees to abolish the remaining 10% discount for second homes;
- c. and impose an empty homes premium of 50% on properties that have been empty for more than two years.
- d. The District Council is able to reduce the standard deduction on all working age claimants from 18.5% to 15%.

26 As with the previous scheme the newly negotiated position would apply for three years before it would be subject to review.

## **Government Announcement**

27 On 16 October 2012 the Department for Communities and Local Government (DCLG) announced an additional £100m of funding for councils to help support them in developing well-designed local council tax support schemes and maintain positive incentives to work.

- 28 The new £100m transition grant will be voluntary and will be available to councils who choose to design their local schemes so that those who would be on 100% support under the current Council Tax Benefit arrangements pay between zero and no more than 8.5% of their current Council Tax liability.
- 29 Initial analysis of this announcement indicates that the £100m grant would be insufficient to cover the gap in funding if applied nationally by all authorities.
- 30 Importantly it must also be noted that the grant will only be payable for one year. As a result any authority adjusting their scheme to qualify for the grant would have to consider the need to provide their own additional funding or the need to design and consult on a new scheme for 2014/15.
- 31 At the time of writing this report officers are awaiting further guidance from Government on the exact criteria for the grant and continuing to investigate the potential positive and negative impacts of the scheme.
- 32 In the meantime discussions and negotiations have commenced with Kent County Council as the major precepting authority for a request for them to extend the principles of their previous deal to that currently being tabled by the Government.

## **Key Implications**

### Financial

- 33 The Council currently pays approximately £6.8m in Council Tax Benefit and this is fully reimbursed as Government grant.
- 34 From April 2013 the current grant will be reduced by at least 10% to about £6.1m. This grant will be shared by the billing and major precepting authorities. This council's share is approximately 12% which equates to about £700,000.
- 35 By adopting a Kent-wide scheme, a significant proportion of financial impact for the first three years will be borne by the three major precepting authorities instead of this council. If a different option is chosen, the financial impact for this council could be significant.

### Community Impact and Outcomes

- 36 A consultation and an Equalities Impact Assessment has been undertaken on the potential effects of the scheme options on the public and other affected parties. The results of the consultation are set out at Appendix A to this report and further detail on the impact assessment is set out at paragraph 38 below.

### Legal, Human Rights etc.

- 37 The final scheme approved by the council must meet the requirements to be provided under the Local Government Finance Bill. The Council will continue to update its Equality Impact Assessment as the scheme develops and more information becomes available, to ensure potential affects are identified and where possible mitigating actions are taken.

### Resource (non-financial)

- 38 The scheme options detailed in the report should not result in additional staffing requirements. If a different option is chosen, there may be additional staffing requirements due to the changes required and the duplication of benefits and council tax data.

### Equality Impacts

- 39 The Council's full impact assessment is provided as Appendix B to this report and sets out the impacts identified and any mitigating actions identified to date. In summary:

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	Various options for achieving a 10% reduction in expenditure based on the current caseload have been considered for our authorities and Kent wide. Whatever scheme is introduced it will entail money being collected from some of the more vulnerable residents in our boroughs and districts.
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 to this report.

### **Conclusions**

- 40 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 and unsustainable.
- 41 A Kent-wide scheme, or an improvement to it, is likely to produce the best financial result for this authority but it is also important to ensure that the final scheme is as fair as possible to the residents of this district.

### **Risk Assessment Statement**

- 42 There are many risks to the successful delivery of a local scheme by April 2013. these include:

- Failure to agree a local scheme would result in the forced adoption of the Government's default scheme which would result in a significant cost to this council;
- Government delays in progressing primary legislation;
- Failure of the IT service provider to meet the required deadlines and to provide a fault free system.

**Appendices** Appendix A – Summary of consultation responses

Appendix B – Equality Impact Assessment

**Background Papers:** Report to Council 24 July 2012 – Localisation of Support for Council Tax:  
<http://cds.sevenoaks.gov.uk/documents/s6791/Localisation%20of%20Council%20Tax%20Support.pdf>

Report to Council 24 July 2012 – Localisation of Support for Council Tax – Appendix A:  
<http://cds.sevenoaks.gov.uk/documents/s6713/Localisation%20of%20Support%20for%20Council%20Tax%20-%20Appendix%20A.pdf>

Department for Communities and Local Government – Localising Council Tax Support documents:  
<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

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