

## LOCAL COUNCIL TAX SUPPORT SCHEME

### Council – 27 November 2012

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

Status: For Decision

Also considered by: Cabinet – 8 November 2012

Key Decision: Yes

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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 sets out the developments in the negotiation of a Kent wide scheme and the latest announcement from Government before setting out the proposed local Council Tax Support Scheme for Sevenoaks District.

A summary of the responses to the council's consultation and an Equalities Impact Assessment for the proposed scheme are also included.

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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:** Having considered the equality impacts, as set out from paragraph 43, it be resolved that:

- (a) The Council introduce a local support for council tax scheme that all residents of working age receive a deduction on the amount of council tax support they are entitled to, calculated on the basis of the current council tax benefit scheme, of 18.5%.
  - (b) In year 1 of the scheme, from 1 April 2013 to 31 March 2014 the Council applies transitional protection for all residents of working age eligible to receive council tax support. This transitional protection ensures that in year 1 only all residents of working age receive a deduction of 8.5% on the amount of council tax support they are entitled to, as calculated on the basis of the current council tax benefit scheme.
  - (c) The Council applies to the Government's grant scheme for a financial contribution
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towards the transitional protection provided to residents once the grant scheme opens after 31 January 2013.

- (d) The Portfolio Holder for Value for Money is provided delegated authority to implement any consequential amendments to the local scheme as a result of the Government publishing its final regulations.

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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 borne 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 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 (i.e. if a claimant currently receives 100% benefit, they will receive 81.5% discount under this scheme);
  - 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. The Council's Equality Impact Assessment was commenced prior to the consultation and was published on the Council's website, to allow respondents to provide informed feedback.
- 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%).

### **Government Announcement**

- 25 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.

- 26 The new £100m transitional grant is voluntary and 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.
- 27 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.
- 28 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.

### **Negotiation**

- 29 Since the last report was presented to Cabinet 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%.
- 30 Following the Government announcement explained above, the Leader and Chief Executive have also been involved in further negotiations with the other Kent authorities.

### **Proposed Scheme**

- 31 Following these negotiations, the scheme previously presented has been amended to an 18.5% scheme for three years with a discount in year 1 to reduce it to 8.5%, enabling the Council to seek additional financial grant from Government to better support residents who require assistance in meeting their council tax bill.
- 32 It has also been agreed that officers will continue to minimise the impact on residents in future years by investigating ways of reducing the 18.5% in later years by continuing to review how other council tax discounts and exemptions are applied.
- 33 The amended scheme consists of the following criteria:
- a. **The District** accepts a standard deduction of 18.5% on all non-pensioner claimants (i.e. if a claimant currently receives 100% benefit, they will receive 81.5% discount under this scheme) with a discount in year 1 to reduce it to 8.5% (i.e. if a claimant currently received 100% benefit, they will receive 91.5% discount);
  - b. and agrees to apply for the Government's Transitional Grant for 2012/13;
  - c. and reduces the exemption on Class C empty properties from 6 months to 3 months;
  - d. **then Major Precepting Authorities (jointly)** 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;

- e. and pay £125,000 to each district each year as a contribution to the increased administration, collection and recovery costs of the new scheme;
- f. 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%.

34 Members should note that the Kent wide scheme would apply for three years before it would be subject to review.

## **Key Implications**

### Financial

- 35 The Council currently pays approximately £6.8m in Council Tax Benefit and this is fully reimbursed as Government grant.
- 36 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.
- 37 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

- 38 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 43 below.

### Legal, Human Rights etc.

- 39 The final scheme approved by the council must meet the requirements to be provided under the Local Government Finance Bill.
- 40 The Council has continued to update its Equality Impact Assessment as the potential options for the scheme have developed and more information has become available. This ensures that potential affects have been identified and where possible mitigating actions are taken.

### Resource (non-financial)

- 41 Adopting the Kent wide scheme reduces the likelihood of additional resources being required for the administration of local support for council tax support applications as it continues to be based on the current council tax benefit scheme.
- 42 However it is anticipated that additional resources may be required to support people in making their payments and to collect money that is not paid on time. As part of the proposed scheme the major preceptors are contributing £125,000 to

provide such additional resources, therefore minimising any associated financial costs to this Council.

### Equality Impacts

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.

43 To assist Members in having due and full regard to their responsibilities under the Public Sector Equality Duty, a full and detailed Equality Impact Assessment has been completed and is attached at Appendix B. The equality impact assessment shows the main impacts are:

- With an 18.5% deduction to current council tax benefit entitlement people with a disability would pay £2.10 more per week towards their council tax bill whilst the average additional payment for claimants without a disability would be £1.68 more per week. By reducing the deduction to 8.5% people with a disability would pay £0.96 more per week towards their council tax bill whilst the average additional payment for claimants without a disability would be £0.77 more per week. This is a gap of £0.19 per week or £10 per year.
- With an 18.5% deduction to current council tax benefit entitlement carers would pay £2.87 extra per week towards their council tax bill, whilst the average additional payment for claimants who are not carers would be £1.69 more per week. By reducing the deduction to 8.5% carers would pay £1.33 more per week towards their council tax bill whilst the average additional payment for claimants who are not carers would be £0.77 more per week. This is a gap of £0.56 per week or £29 per year.
- Whilst the 18.5% cut also has potential to impact on some non-pensioner age groups, this is as a result of the protection of pensioners being prescribed by Government. The Council therefore have no discretion in implementing this aspect of the scheme.



- 44 Members are asked to note the potential impact on people with disabilities, carers and working age groups and the following measures to mitigate these:
- Continuing to base claimants' entitlement to council tax support on the existing council tax benefit scheme. This ensures that people with disabilities, carers and families who incur child care costs are treated more favourably by disregarding some income, giving them a higher council tax benefit entitlement from which any subsequent deduction is then made.
  - Introduction of a transitional year which will reduce the extent of the impacts in year one.
  - Reviewing the scheme, prior to any further decisions being taken about how the scheme will operate after year one, to identify any longer-term measures needed to mitigate any on going impacts.

### **Conclusions**

- 45 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.
- 46 A Kent-wide scheme is likely to limit the extent of the financial risk to this authority, whilst most importantly ensuring that the final scheme is as fair as possible to the residents of this district.

### **Risk Assessment Statement**

- 47 The key risks to the successful delivery of a local scheme by April 2013 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>

[t%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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