

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 2 September 2013

Portfolio:	Policy and Resources
Subject:	Council Tax Support - Year 2
Report of:	Director of Finance and Resources
Strategy/Policy:	
Corporate Objective:	Dynamic, prudent and progressive Council

Purpose:

To seek approval to begin consultation on the proposals for the draft Council Tax Support Scheme.

Executive summary:

The Local Government Finance Act 2012 requires Council's to agree and adopt a scheme which reduces the amounts of council tax payable by persons whom it considers to be in financial need. It specifies that for each financial year, each billing authority must consider whether to revise its existing scheme or replace it with another scheme no later than 31 January in the financial year preceding that for which the revised or replacement scheme is to have effect.

Following a period of public consultation, officers presented a proposed scheme which would see certain vulnerable groups retain the levels of support as in previous years under the now abolished Council Tax Benefit legislation and other working age customers facing a reduction in support. Full Council, at its meeting of 24 January 2013, agreed a scheme for the financial year ending 31 March 2014.

This report sets out the proposals for the 2014/15 Council Tax Support scheme which, if adopted, should enable the Council to contain the cost within available resources. In order to ensure that the final scheme is robust and reasonable, a consultation exercise is proposed, which will inform the final scheme for adoption in January 2014.

Recommendation:

It is recommended that the Executive:

- Approves the draft scheme proposals for Council Tax Support as set out in this report. The draft scheme will contain the key principles as set out in our 2013/14 scheme prior to the decision by Members to make the necessary amendments in order to qualify for the transitional grant;
- Request officers to proceed with a period of public consultation to seek views on the draft scheme;
- Note the programme for implementation.

Reason:

The Council is required to approve a local Council Tax Support Scheme on or before 31 January 2014. The recommendations above seek the Executive's approval to open a consultation on the draft scheme, the outcome of which will be considered in the development of the Council Tax Support scheme to be implemented from April 2014.

Cost of proposals:

The financial implications are as detailed within the body of this report.

Appendix A: Elements within the existing Council Tax Support scheme that are proposed for change

Background papers: [Report to the Executive for Decision 7 January 2013 \(Item 10 \(3\)\)](#)

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BOROUGH COUNCIL

Executive Briefing Paper

Date: 2 September 2013

Subject: Council Tax Support - Year 2

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. In the 2010 Spending Review, the Government stated that it would reduce spending on Council Tax Benefit by 10%, by abolishing the national arrangements and devolving the responsibility to design a Council Tax Support scheme to the local billing authorities from 2013/14. The Local Government Finance Act 2012 (LGFA) followed and Fareham Borough Council introduced its local scheme from April 2013 accordingly.
2. The main provisions within the LGFA are:
 - Each billing authority must agree and adopt a scheme which reduces the amounts of council tax payable by persons whom it considers to be in financial need
 - Each billing authority must consider whether to revise its existing scheme or replace it with another scheme no later than 31 January in the financial year preceding that for which the revised or replacement scheme is to have effect.
 - Before making, revising or replacing a scheme, each billing authority must (in the following order) –
 - Consult any major precepting authority which has a power to issue a precept to it,
 - Publish a draft scheme as it thinks fit, and
 - Consult such other persons as it considers are likely to have an interest in the operation of the scheme
3. Therefore in order to meet the requirements of the LGFA, officers have now prepared a draft scheme for the forthcoming financial year.
4. It is important to note, that the local scheme is only applicable to working age customers. The Government introduced a 'prescribed' scheme for those of pensionable age that billing authorities are required to administer. This ensures that pensioners are not financially affected by the abolition of Council Tax Benefit.

SUMMARY OF THE 2013/14 (EXISTING) SCHEME

5. As detailed in the Executive Summary earlier in this paper, Full Council approved a support scheme for the current financial year at their meeting of 24 January 2013. The key elements of the scheme considered by Members, taking into account the public consultation exercise in Autumn 2012, were:

- The most vulnerable customers would be protected from reductions in support. These customers are those who receive an Enhanced Disability Premium or Severe Disability Premium
- Customers in receipt of War Pensions and War Widows Pensions would also be protected from reductions in support by continuing with the existing scheme of disregarding the income from these pensions when calculating entitlement
- Introduce a measure whereby all adults in the household would contribute towards the Council services they receive, therefore all working age non-dependants would be expected to contribute a minimum of £3.30 per week
- All remaining working age customers would receive support based on 80% of their Council Tax liability, also capped at a Band C liability for those living in properties in Bands D and above
- A Hardship Fund to provide short term assistance in the cases of extreme hardship experienced by those affected by the change in level of support would be introduced
- To support the Government's desire to incentivise work, the extended payments provisions and treatment of child care costs that existed under Council Tax Benefit legislation would be retained. To further encourage customers to undertake paid work, all earned-income disregards would be raised by £5 per week
- The Second Adult Rebate scheme for working age customers would be removed.

6. In October 2012, the Department for Communities and Local Government announced that those councils who chose to adopt schemes that met certain criteria could apply for a 'one year only' transitional grant. Members agreed to amend the proposed scheme in order to obtain the grant therefore the following features were amended:

- The scheme would offer a maximum reduction of benefit of 8.5% rather than 20%
- The Band C 'cap' on support was removed
- The requirement for all working age non-dependants to contribute a minimum amount was removed

7. The table below provides an analysis of Fareham's claimant data following the implementation of the 2013/14 local Council Tax Support scheme based on the caseload as at 1 April 2013:

	Support Paid	Number of Claimants	Claimants (%)
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Pensioners	£2,288,000	2795	55%
Protected/vulnerable	£305,000	353	7%
Working Age	£1,452,000	1940	38%
Total expenditure	£4,045,000	5088	100%

8. It has been prudent to make a forecast of our caseload based on previous trends therefore building in an adjustment of an estimated 2.4% rise in the number of claimants; our expenditure will be in the region of £4,142,000. The funding, including the transitional grant, totals £4,068,000 therefore leaving a projected shortfall of £74,000 to be split between the funding authorities. The proportion for Fareham BC is approximately £7,000 which is well within the resources made available for this year.

DEVELOPMENT OF THE 2014/15 SCHEME

9. The transitional grant was put in place by Government for 2013/14 only and there is no expectation of a similar offer being made to local authorities for 2014/15. By maintaining the current level of support in 2014/15 there will be an estimated funding shortfall of £152,370. The options are therefore:
- Reduce the financial support to claimants
 - Fund the shortfall through the diversion of resources from other services or increase council tax
10. The key principles of the 2013/14 scheme prior to the transitional grant announcement were widely welcomed by those who responded to the consultation process and supported by Members. Therefore, it is proposed that the draft scheme for 2014/15 will incorporate these elements and will form the basis for the consultation exercise. [Appendix A](#) details the differences between the current council tax support scheme and the elements that are proposed for change.

SUPPORT TO CLAIMANTS

11. It is clear that any changes to council tax support which result in claimants receiving less financial help could result in very difficult financial circumstances for some households. A hardship fund was introduced from 1 April 2013 to assist those most affected by the change from the national Council Tax Benefit scheme to the local support scheme as 1940 claimants saw a reduction in help of 8.5% (equating to an average increase in their council tax bill of £118).
12. Council tax collection rates to date have remained consistent with previous years and there has been very little call on the hardship fund so far. However, as additional welfare reforms are rolled out nationally, such as the 'benefit cap' and Universal Credit, the household finances of those out of work will be squeezed further.
13. Under the proposals for 2014/15, claimants could see their council tax bill increase again by an average of £278. The LGFA requires authorities to consider

transitional provision for those claimants who are detrimentally affected by the revision or replacement of their local scheme. The hardship fund and access to budgeting advice is thought to be a sufficient solution to those most affected however the question of transitional provision will be raised in the consultation exercise so proper consideration can be given.

CONSULTATION

14. The consultation on the draft scheme for 2014/15 is a two stage process:
 - (a) Consult with our major preceptors (Hampshire County Council, Office of the Police Crime Commissioner for Hampshire and Hampshire Fire & Rescue Service). Invitations to comment have been issued and their responses will be provided for consideration by the Executive as an appendix to this report.
 - (b) Broader consultation, in accordance with the LGFA "such other persons as the billing considers are likely to have an interest in the operation of the scheme"
15. Upon determining the draft scheme, it is proposed to open the second stage of the consultation on 9 September 2013 and will run until 4 October 2013. The consultation will also be used as an opportunity to collect appropriate equalities information which will better inform the assessment of the impact of the proposed scheme.
16. The following consultation methods will be used to ensure views are gathered from a wide range of customers, including for example, claimants and non-claimants, representative organisations, voluntary community and faith organisations:
 - On-line and e-panel surveys (paper copies also to be made available)
 - Targeted publication of consultation to those organisations listed on our Community Groups database
 - Targeted publication of consultation to accompany all benefit and Council Tax correspondence issued during the consultation period
 - Publication of consultation via press release, Facebook, Twitter, and borough notice boards

NEXT STEPS

17. The timetable leading up to the approval of the Council's local Council Tax Support scheme for 2014/15 is set out below:

Date	Activity
2/9/13	Executive – consideration of the draft scheme for consultation
9/9/13 to 4/10/13	Formal public consultation
21/11/13	Scrutiny Board – to consider the scheme and provide comments to the Executive
2/12/13	Executive – recommendation of final scheme
12/12/13	Full Council – approval of final scheme

FINANCIAL IMPLICATIONS

18. With the national Council Tax Benefit scheme, the financial risk of growth in benefit payments rested with Central Government. Up to and including 2012/13, the funding for the national scheme was classed as Annually Managed Expenditure (AME) by the Government and has been outside of Government Departmental Expenditure Limits (DEL). In essence, this has meant the Government having to find the resources to pay for benefits from year to year.
19. Following the introduction of local schemes, the funding for council tax support is now within the Department for Local Government & Communities' DEL and is therefore subject to the same spending constraints as their other budgets.
20. The proposals set out in this report would result in a scheme which is affordable once the transitional grant ceases.

RISK ASSESSMENT

21. The funding and cost of the proposed scheme will be distributed amongst all major preceptors, according to the relative size of their precept. In practise, if the scheme was not affordable within existing resources, Fareham BC's exposure would be around 10%.
22. The scheme may be challenged on the basis of fairness. To manage this risk, a full consultation exercise and equality impact assessment will be undertaken
23. Any growth in claimants over time will place an increased financial burden on the Council. As detailed above, we are able to forecast how the caseload may look using trend analysis from previous years therefore this has been built into the estimated cost of the draft scheme.

CONCLUSION

24. The proposals within the report set out a scheme which should enable the Council to contain the cost within available resources, supports the most vulnerable and delivers positive incentives to work. The provisions to assist claimants who experience financial hardship as a result of changes to the scheme will remain in place. In order to ensure that the final scheme is robust and reasonable, a comprehensive consultation exercise is proposed, which will

inform the final scheme for adoption before 31 January 2014.

Reference Papers:

[Council Tax Support scheme 2013/14 – Full Council meeting 24/1/13 \(Item 16\)](#)

[Local Government Finance Act 2012 Chapter 12, Regulation 10](#)

[Local Government Finance Act 2012 Schedule 4](#)

Elements within the existing Council Tax Support scheme that are proposed for change

Proposed change	2013/14 scheme	2014/15 proposed scheme	Potential cost of scheme
Claims will be based on a maximum 75% or 80% of Council Tax liability	Up to 91.5% of Council Tax liability	Up to 75% or 80% of Council Tax liability	75% max liability = £3,783,477 80% max liability = £3,874,957
Properties in Council Tax bands higher than a band C, support calculation will be based on band C	Up to 91.5% of Council Tax liability	Up to band C	75% max liability capped at band C = £3,740,606 80% max liability capped at band C = £3,828,331
Non-dependant deductions	No deductions for certain categories of non-dependants	Minimum deduction for all non-dependants of £3.30 per week	75% max liability, capped at band C with non-dependant deductions = £3,733,386 80% max liability, capped at band C with non-dependant deductions = £3,820,956