

PLYMOUTH CITY COUNCIL

Subject: Council Tax Support Scheme

Committee: Cabinet

Date: 11 December 2012

Cabinet Member: Councillor Lowry

CMT Member: Adam Broome (Director for Corporate Services)

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Ref:

Key Decision: No

Part: 1

Purpose of the report:

To approve a localised Council Tax Support scheme to be adopted by January 2013 and fully implemented by April 2013.

Corporate Plan 2012-2015:

The Revenues and Benefits service significantly contributes to the inequalities agenda ensuring that the most vulnerable residents of Plymouth receive the appropriate benefit entitlement. There are also strong links into value for communities.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The Revenues and Benefits service undertook a major restructure in 2011/12 which reduced overall funding by c.£1m and fundamentally changed working practices. The Council administers Housing Benefit subsidy of c.£100m per annum and processes Council Tax Benefit of circa £22m

National funding provided to adopt a local Council Tax Support scheme is estimated as being £2.6m less than current spend levels for Plymouth. In addition, these spend levels are estimated to rise as the trend in benefits claimants is still increasing.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

- An effective Revenues and Benefits service helps address inequalities through ensuring that vulnerable residents receive appropriate benefit entitlement.
 - The service undertakes annual benefit take up campaigns which are targeted to areas of greatest need.
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Recommendations & Reasons for recommended action:

Cabinet recommend that Full Council approve a localised Council Tax Support, (CTS), scheme as detailed in this report.

Alternative options considered and reasons for recommended action:

The alternative to adopting a cost neutral local Council Tax Support scheme would be to fund the £2.6m estimated shortfall elsewhere in, already stretched, council revenue budgets. Given the council's financial position we have no option but to adopt a cost neutral local Council Tax Support scheme.

The national direction is to reduce reliance on the welfare state and allocate resources and effort into helping people return to work. Thereby, council resources should remain focussed on the 'growth' priority within the Corporate Plan as opposed to allocating resources to pass-ported shortfalls in Council Tax benefit.

Sign off:

Fin	DJN1213. 019	Leg	16250/ DVS.	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Malcolm Coe											
Have you consulted the Cabinet Member(s) named on the report? Yes											

I Introduction

- 1.1 The Government has confirmed its intention to abolish the existing Council Tax Benefit (CTB) scheme from April 2013 and replace it with localised support for council tax.
- 1.2 Currently, low income households pay a reduced or, in some cases, nil amount of council tax through CTB. CTB provides means tested help to people on low incomes who have to pay council tax and currently operates as part of the wider housing benefit system.
- 1.3 The Local Government Finance Bill (December 2011) makes provision for the localisation of council tax by imposing a duty on local authorities to have a localised council tax reduction scheme adopted by 31 January 2013 to come into effect from 1 April 2013.
- 1.4 Funding for Council Tax Support (CTS) will no longer be met from annually managed expenditure which is demand led, but will be set through an upfront grant allocation for all billing and major precepting authorities.
- 1.5 Plymouth City Council spent circa £22m on Council Tax benefits in 2011/12. Indications are that national funding for the new localised scheme will be 10% less than current spend levels.
- 1.6 It is expected that the scheme will require further simplification over the coming years to ensure the scheme continues to be delivered with the grant funding levels and also to ensure continued reductions in administration costs.
- 1.7 The Government has confirmed its intention to protect pensioners from the cuts and will maintain national rules, regulations and eligibility rates that are broadly similar to those currently applied. When applying protection for pensioners, this translates to a real term reduction of circa 22% for working age benefit claimants.
- 1.8 Indicative figures are that the grant funding provided to PCC will be £2.6m short of current spend demand. This figure will not be confirmed until late December 2012.
- 1.9 It was agreed to go out to consultation in August 2012 on a localised CTS scheme which aimed to:
 - To deliver a scheme within the expected funding levels being cost neutral so as to minimise any additional financial risk or burden to the Council
 - To ensure that the Council adheres to the legislative requirements for designing, consulting upon and implementing a Council Tax Support scheme for 2013-14.
 - To design a scheme that ensures savings are fairly apportioned across various groups.
- 1.10 This report recommends a formal Council Tax Support scheme for adoption by January 2013. Failure to meet the deadline for the adoption of a scheme by 31st January 2013 will result in the Government imposing a default scheme. The default scheme replicated the current benefit system and will result in additional financial pressures for the authority.

2 Rationale supporting the scheme recommended for PCC

- 2.1 The scheme has been designed to deliver a localised scheme within the anticipated grant funding levels. The expected funding shortfall against current spend is £2.6m. This funding gap will grow if the current trend of more people requiring benefit support continues (as future funding will be on a fixed grant basis).
- 2.2 If the Council increases the amount of Council Tax each year, the gap between Council Tax to be paid and the fixed grant will increase.
- 2.3 Any funding shortfall would have to be rectified elsewhere within PCC revenue budgets. Future year budgets are already extremely challenging due to wide-scale reductions in public sector funding.
- 2.4 In February 2012 Plymouth began working with the Devon authorities with the intention of developing a Devon-wide framework for a CTS scheme for working age customers. The group has representation from each Unitary Council, District Councils, Devon County Council and the Fire and Police authorities.
- 2.5 This Devon-wide framework considered differing options for delivering a scheme within the funding levels. Modelling showed that reducing the overall amount of award that is currently given was the only option that delivered this. This resulted in a 20% to 30% global reduction for all working age claimants.
- 2.6 In November the government issued further guidance offering transitional grant funding for councils who adopt local schemes that limit reductions to benefit support to 8.5%. PCC, along with other Devon authorities, have modelled the impact of adopting this approach. The transitional funding would only cover approximately £500k of the required funding shortfall of £2.6m. In addition, the transitional grant is only secured for one year which would result in a further revenue budget pressure for 2014/15 and beyond.
- 2.7 A letter to the Local Government Association has been sent on behalf of all of the Leaders of Devon authorities voicing their displeasure of the temporary nature of the recently announced transitional grant arrangements and how it contradicts local accountability. This letter requests that the £100m funding made available nationally is made permanent (rather than for one year) and added to the funding levels.
- 2.8 Indications are that only two District Councils in Devon that are considering taking up the government's transitional grant offer. In both cases, the housing stock portfolio of these authorities is significantly different to that of Plymouth. With the majority of our housing within the low council tax bands A and B, we have limited scope to claw back funding shortfalls on Council Tax Benefit through using discretionary powers on more affluent properties.
- 2.9 The central government drive is to encourage people back into work and place less reliance on the welfare state. By implementing a cost neutral localised Council Tax Support scheme we can ensure that the benefits that we administer are affordable within the revenue resources available. At the same time the Council should place attention and resources on supporting work opportunities in the local economy and ultimately reduce financial dependency on benefits (as opposed to funding the Council Tax Benefit shortfall).

3 Consultation

- 3.1 Public consultation on the Devon-wide scheme ran from 6th August 2012 to 5th October 2012. The objectives of the consultation were:
- To gauge the level of support for the proposed changes to council tax benefits scheme.
 - To include customer feedback into the development of the scheme.
- 3.2 Responses to the consultation were mainly from those currently in receipt of Council Tax Benefit. Whilst most were not in favour of the level of reduction proposed, there was an acknowledgement by many respondents of the requirement to pay something towards their Council Tax.
- 3.3 A number of responses from those with disabilities expressed concern about their ability to pay Council Tax. The proposed exceptional hardship fund will be used to support the most vulnerable customers. The scheme will continue to disregard additional income received by those with disabilities such as Disability Living Allowance, which will provide them with a continued element of protection from the reductions.
- 3.4 There was strong agreement in favour of an exceptional hardship fund to support those most in need.
- 3.5 The scheme has been revised to take into account the residents responses, whilst also taking into account the need to fund the overall Council Tax Support scheme within the grant funding levels.

4 Recommended Council Tax Support scheme for Plymouth City Council

- 4.1 Council Tax Benefit provided to people of pensionable age will be protected under the current national Council Tax benefit framework.
- 4.2 Single Person Council Tax discount will not change as part of the Council Tax Benefit reforms.
- 4.3 Plymouth currently has 184 war widow/widowers/veterans i.e. those in receipt of war disablement pensions, war widows and war widowers pensions, of which 109 are of pensionable age. We propose to continue to disregard War Disablement Pension or War Widows/Widowers payments from the calculation of Council Tax Support under the provision of s.139 of the Social Security Administration Act 1992. This is currently provided under the Council Tax Benefit statutory scheme.

The maximum amount that war widows, widowers and veterans in receipt of war disablement pensions currently receive will be subject to the overall reduction, however the pension will continue to be disregarded in line with the current scheme.

- 4.3 Following consultation, we propose to reduce the proposed 30% blanket reduction across all working age claimants to 25%. This will deliver a scheme with the indicative grant funding level and also provide a contingency of £500,000 (subject to confirmation of final funding levels).

- 4.4 Following consultation we propose to increase the savings level at which claimants would not be entitled to Council tax Support from £3,000 to £6,000. The current limit is £16,000 and this change will generate approximately £76,000 additional revenue per year.
- 4.5 Following consultation we propose to increase the maximum band level at which council tax support will be paid from Band D to Band E. Properties in band E or above will qualify for maximum support at band E levels only. This will generate approximately £5,000 per year.
- 4.6 Recommendations detailed in paragraph 4.5 are aimed at optimising the council's discretionary ability to direct Council Tax charges to those who are more able to pay. Other, more affluent areas, for example with a higher proportion of band E to H properties, would have greater flexibility to address funding shortfalls through such discretionary proposals.
- 4.7 Following consultation it is recommended that £100,000 of the £500,000 anticipated contingency outlined in 4.3 is used to create an exceptional hardship fund that can be used to provide additional council tax support for vulnerable clients facing extreme hardship
- 4.8 It is recommended that the remaining £400,000 is set aside as a contingency to fund the shortfall in Council Tax Support brought about by an estimated increase in service demand.

5 Summary

- 5.1 The Cabinet is asked to recommend that Council approve the proposed Council Tax Support scheme as detailed below:
- Council Tax Support for people of pensionable age will be subject to national regulations and will not change
 - The current local scheme to disregard war disablement pensions for war widows, widowers and veterans will not change, however they will be subject to the 25% reduction in the scheme.
 - Reduce the current level of support by 25% across the board and not the full 30% blanket reduction across all working age Council Tax Benefit claimants. This is subject to final grant funding levels. This is a reduction in the level of cuts proposed in the consultation with residents.
 - Households in bands E and above will be subject to a maximum level of support at band E level only. This has increased from the consultation with residents which proposed a maximum Band D level.
 - Individuals with savings of up to £6,000 will qualify for Council Tax Support. This has increased from the consulted proposal where those with £3,000 savings or more would not qualify.
 - Set up an exceptional hardship fund worth £100,000 to support those who are most vulnerable.
 - Set aside the £400,000 as a contingency for future increases in demand.