

COUNCIL

Welfare Reforms: Localised Council Tax Support Scheme for 2013/14 16 January 2013

Report of Head of Resources

PURPOSE OF REPORT

To inform Council of imminent welfare reform changes with regard to council tax benefit and to gain adoption of a new Localised Council Tax Support Scheme for 2013/14.

This report is public.

RECOMMENDATIONS

1. That Council adopts a Localised Council Tax Support Scheme for the year commencing 01 April 2013, from the three basic options set out in section 6 of this report.
2. That the 2013/14 Revenue Budget be updated to provide one-off funding for Parish and Town Councils in accordance with Council's adopted Scheme, with amounts to be paid in one instalment at the same time as precepts.
3. That the Head of Resources be authorised to publish the Council's adopted Scheme and make all other necessary arrangements for its implementation for next financial year.
4. That the operation and financial implications of the Council's adopted Scheme be monitored closely (for all tiers of local government) and it be subject to formal review in a year's time.

1 INTRODUCTION

- 1.1 The Welfare Reform Act 2012 contains provisions to abolish the current national Council Tax Benefit (CTB) scheme, paving the way for new localised support schemes. The Local Government Finance Act 1992, as amended, imposes a duty on all billing authorities, including Lancaster City Council, to adopt a Localised Council Tax Support (LCTS) Scheme by 31 January 2013.

- 1.2 The commencement date for applying any new LCTS scheme is 01 April 2013.
- 1.3 From an administrative point of view, the new scheme will work completely differently. Rather than recipients being awarded benefit against their council tax bills, in future recipients will have their council tax bills reduced – in whole or part. This means that the new arrangements will result in a drastically reduced tax base – with Government grant being received to help offset this loss of council tax income.
- 1.4 The financial aspects of the new arrangements will impact on all tiers of local government in the district – so as well as impacting on the City Council, the County, Police and Fire Authorities (as “major precepting authorities”) will also be affected, as will parish and town councils (as “local councils”). The County Council has by far the greatest exposure, with parishes having the smallest. This shared impact is a fundamental change from the existing scheme, and it adds further complexities and risks.
- 1.5 The core amount of funding provided to all local authorities for this district's new localised system will be approximately 10.5% (i.e. £1.1M) less than current spending on CTB. This equates to a reduction of around £140K for the City Council and around £960K in total for the major precepting authorities – County, Police and Fire. Parishes and town councils will also be affected to some degree and specific compensation proposals are contained later in this report.
- 1.6 To help lessen the impact of the new arrangements on current recipients of CTB, the Government has offered a transitional funding scheme for the first year only, but this is subject to various conditions. These are also set out later in this report.
- 1.7 If Council, as billing authority, does not adopt a new LCTS scheme on or before 31 January, a default scheme would be imposed by the Secretary of State. The default scheme is effectively the existing Council Tax Scheme, but only funded to around 89.5% or so, hence leaving a £1.1M funding shortfall for the various authorities to address.
- 1.8 Looking ahead, the new legislation also requires the Secretary of State to make provision for an independent (national) review of all Localised Council Tax Support Schemes within the next three years. With such major change programmes, there is always the risk of unintended consequences and more locally, there will be the need to keep the new arrangements closely monitored and subject to annual review, irrespective of whatever Scheme is actually adopted.

2 LOCALISED SUPPORT: NEW SCHEME PRINCIPLES

- 2.1 There are three general principles that all Local Council Tax Support schemes must follow:
 - pensioners should be fully protected;
 - vulnerable groups should be protected as far as possible, as determined locally; and
 - local schemes should support the positive work incentives that will be introduced through Universal Credit for working age people.

- 2.2 The existing CTB scheme already provides protection for certain groups and helps support work incentives. This is done by providing for:
- disability premiums;
 - benefit disregards for child benefit, attendance allowance and disability living allowance;
 - additional personal allowances in respect of children; and
 - a small amount of earned income to be ignored in the calculation of benefit, dependent on household circumstances.
- 2.3 It seems sensible, therefore, to retain these existing practices. Furthermore it is intended that the Council would continue to protect vulnerable people by keeping other existing income disregards/premiums and allowances.
- 2.4 Accordingly arrangements are in place for a detailed scheme, similar to the existing CTB scheme, to be written around the broad principles set out in **Appendix A**, as updated to reflect the specific decisions of Council.
- 2.5 As well as addressing those broad principles, however, the real challenge for the Council is to develop a scheme that is affordable district-wide, particularly given the latest big funding reductions that the Council and its major preceptors are now facing. As well as considering welfare reforms, there is the need to protect statutory and other key services that impact upon the most vulnerable members in our society – remembering that county, police and fire services are all affected.
- 2.6 It is in this context that a larger Hardship Fund is proposed as part of the new arrangements, to help those suffering exceptional hardship in the short term as a result of any changes. If included within the Scheme, this initiative would be supported financially by the major precepting authorities, as well as the City Council.

3 **CONSULTATION**

- 3.1 In developing proposals, legislation requires the Council to consult with its major precepting authorities and such persons that it considers likely to have an interest in the operation of the LCTS scheme.
- 3.2 Consultation plans were reported to Cabinet in September. In summary, three models were consulted on as listed below, all based on the existing national CTB scheme, but each with a different way of reducing support entitlement in order to reduce the costs of the scheme:
- **Model 1**
Council Tax Support is calculated on the full council tax bill and a standard percentage deduction is applied at the end of the calculation for any working age claimant. The example deduction quoted in the consultation was 18%.
 - **Model 2**
The amount of council tax eligible for support is limited – so that Council Tax Support is calculated on only a percentage of the council tax bill. The example limit quoted was 80%.

- **Model 3**

A standard flat rate reduction is applied to the Council Tax Support calculation for any working age claimant, regardless of their financial circumstances. The example flat rate deduction quoted was a minimum of £157 per year (or £3 per week).

- 3.3 Further details on each model and examples of their estimated impact are detailed in **Appendix B**. Consultation was undertaken with 8,000 council tax payers, and over a six-week period ending on 26 October 2012.
- 3.4 The Council received a total of 695 responses and the key findings of this consultation can be found at **Appendix C**. The Consultant's full report can be found on the Council's website, as a background document to this report.
- 3.5 Model 1 was the favoured approach from the consultation. In particular, it helps protect those customers whose income is slightly above minimum 'living allowances', thereby providing greater work incentives in line with the basic principles of any new support scheme. Model 1 was also Officers' and Cabinet's preferred choice. Given all these points, this Model has been adopted in shaping the scheme options now put forward to Council.
- 3.6 The Council also consulted with its major precepting authorities on the design of the scheme, acknowledging that they will share the financial cost and risk associated with any new LCTS scheme. The responses supported the options presented in the consultation exercise and made clear a preference for a cost neutral scheme that limits financial pressure on their budgets, as an alternative to the need to cut essential services. The original letter and consultation responses can be found in **Appendix D** to this report.

4 **TRANSITIONAL FUNDING**

- 4.1 After the public consultation had started, in October 2012 the Government announced a package of £100M "transition grant", a share of which would be available to those councils (i.e. billing and major precepting authorities) whose LCTS schemes are designed so that:

- those claimants who currently pay nothing under the present Council Tax Benefit arrangements pay between zero and no more than 8.5% of their council tax liability;
- the taper rate (*) does not increase above 25%; and,
- there is no sharp reduction in support for those entering work.

(*) The taper rate (currently 20%) is applied to excess income and phases out benefit entitlement on a sliding scale as income increases.

- 4.2 Lancaster currently has 5,849 customers receiving full (100%) CTB. However, Government has indicated that in order to qualify for transitional grant, the scheme would need to be applied fairly to all 6,817 working age claimants, in order to smooth the impact of individual claimants' income changes.

- 4.3 If the Government's offer was accepted, one-off grants totalling £252K would be receivable. There is no commitment to extend the funding beyond 2013/14, however. The breakdown of the transitional funding is as follows:

	£'000
City Council	34
County Council	183
Police & Crime	25
Fire Authority	<u>..10</u>
Total	252

- 4.4 It is reiterated that the offer of transitional grant is for one year only. A decision could be taken to accept the offer as an interim solution, but the Council would need to re-consult on any proposed changes to the LCTS Scheme for 2014/15.
- 4.5 The major precepting authorities responded further on the Government's offer of transitional funding, implying a preference to reject the offer as it fails to cover the cost of the scheme and will create a financial burden likely to affect essential services for vulnerable members of our society. The County Council's response is included at **Appendix E**.

5 CORE FUNDING LEVELS

5.1 Billing and Major Precepting Authorities

- 5.2 As far back as 2010, Government announced that authorities should expect funding for council tax support to reduce by 10% per year - amounting to around £1.1M for this area.
- 5.3 For next year, the starting assumption is that if current benefit arrangements were to continue, the amount of financial support awarded would be around £10.5M. From the provisional Local Government Settlement, it is apparent that funding for next year's scheme amounts to around £9.4M, of which £1.26M relates directly to the City Council and its parishes and the remaining £8.14M would be receivable by County, Fire and Police. The overall funding reduction is therefore around 10.5%.
- 5.4 The position worsens again in 2014/15. Funding for council tax support is incorporated fully into the provisional Settlement and no specific allocations can be identified. All that can be highlighted is that year on year, for 2014/15 total Government funding for the City Council reduces by another £1.6M or so. It may be construed, therefore, that beyond next year, there will be no specific ongoing funding for council tax support schemes.
- 5.5 It is in this hugely challenging financial context that Council is advised to consider options for future council tax support schemes and in particular, whether maintaining existing support levels are of utmost priority and could be affordable in any way, given the extent of savings already needed in other service areas (including county, fire and policing) – or whether an alternative approach should be adopted, accepting the challenges and risks that it brings.

5.6 Parish and Town Councils

- 5.6.1 In Government developing the new arrangements, it has considered and consulted on how to address any impact on parish councils. Until very recently, it was expected that Government would structure the changes to ensure that parishes were unaffected, but the final Regulations take a different approach. Parish tax bases will be reduced by the introduction of localised council tax support, and so their tax raising capacity will be adversely affected.
- 5.6.2 Further to this, for next year Government has set out that some of billing authorities' Government funding is attributable directly to parishes and it "expects them to work with local parish and town councils to provide certainty over their funding".
- 5.6.3 From the provisional Settlement, around £76K of funding is provisionally attributed to parishes, although the actual overall impact on parishes will differ, depending on what scheme is adopted by Council.
- 5.6.4 In light of these points, it is assumed that the City Council would wish to help parishes and therefore proposals for allocating grant funding to them are included for each of the three scheme options. It is assumed though that this would be a one-off only and unless Council indicates otherwise, this will be made clear to parishes.

6 OPTIONS AND OPTIONS ANALYSIS

6.1 In view of the above information, Council is presented with three options for its Localised Council Tax Support Scheme for next year:

6.2 Option 1:

Restrict council tax support reductions to 8.5% (using "Model 1") for all working age claimants and claim the one-off transitional grant from Government, thereby increasing the need to make savings on other Local Government services (including county council, police and fire services) to meet the shortfall arising.

Financial Implications:

	City Council	Major Precepting Authorities	Parishes	Total
Council Tax collectable from working age claimants	(57)	(396)	(3)	(456)
Council Tax Support awarded to claimants	1,267	8,704	73	10,044
Provision for non-collection/hardship (20%)	11	79	0	90
Total Estimated Cost of Scheme	1,278	8,783	73	10,134
Funded by:				
Council Tax Support Grant	(1,187)	(8,137)	(73)	(9,397)
Transitional Grant (2013/14 only)	(34)	(218)	0	(252)
Overall Shortfall	57	428	0	485

If this option is approved, overall there would be a shortfall on the City Council's revenue budget of an estimated £57K in 2013/14, and this would increase in future years if the Scheme remained the same.

Major precepting authorities would have estimated budget shortfalls totalling £428K in next year, and again these would be subject to increases in future years.

Extra savings would be required in other service areas, in order to address these shortfalls.

It can be seen that this option provides for compensatory one-off grants to parish and town councils amounting to £73K.

Other Key Considerations

Risks / Disadvantages	Mitigation
<ul style="list-style-type: none"> • Adverse impact on low income working age families. • Unaffordable / unsustainable in medium term. • Adverse impact on other services and working relationships with affected organisations. • Uncertainty over future expenditure - increasing caseload. • Reduced collection rates. • Enforcement issues. • Increased write offs. • Increased administration – impact on staff resources. • Enforcement for small amounts of debt. • Bad publicity from claimants, as well as from impact on other local government services – reputational damage . • Increased complaints. 	<ul style="list-style-type: none"> • Working with welfare benefits, debt advice, landlords, bailiffs. • Increased Hardship Fund. • Revised debt collection policies. • Use of new technology to improve admin. efficiency (self-serve). • Education process for previous non-payers. • Future review of scheme. • Extension of transitional funding cannot be ruled out entirely ?? • Anti-fraud / intervention measures to reduce cost of scheme.

Option 1 Summary:

This option could be viewed as a transitional arrangement, to learn from and to help develop future years' schemes and their administration. It would result in additional costs for Local Government as a whole, however, and would therefore have an adverse impact on other services (from the need to make savings), some of which may well affect the more vulnerable in society. Based on current financial forecasts and existing service provision, the retention of this scheme beyond 2013/14 is currently unaffordable.

6.3 Option 2

Retain existing levels of council tax support for all claimants, thereby increasing further the need to make savings on other Local Government services (including county council, police and fire services) to meet the shortfall arising.

Financial Implications:

	City Council	Major Precepting Authorities	Parishes	Total
Council Tax collectable from working age claimants	N/A	N/A	N/A	N/A
Estimated Council Tax support to claimants	1,324	9,100	76	10,500
Provision for non-collection/hardship fund (20%)	0	0	0	0
Total Cost of Scheme	1,324	9,100	76	10,500
Funded by:				
Council Tax Support Grant	(1,184)	(8,137)	(76)	(9,397)
Transitional Grant (2013/14 only)	(34)	(218)	0	(252)
Overall Shortfall	106	745	0	851

If this option is approved, overall there would be a shortfall on the City Council's revenue budget of an estimated £106K in 2013/14, and this would increase in future years if the Scheme remained the same.

Major precepting authorities would have estimated budget shortfalls totalling £745K in next year, and again these would be subject to increases in future years.

Extra savings would be required in other service areas, in order to address these shortfalls.

It can be seen that this option provides for compensatory one-off grants to parish and town councils amounting to £76K.

Other Key Considerations:

Risks / Disadvantages	Mitigation
<ul style="list-style-type: none"> • Currently unaffordable and unsustainable, taking account of other existing service provision. • Greatest adverse impact upon other local services (including Social Services), affecting vulnerable members of society. • Adverse impact on working relationships with affected 	<ul style="list-style-type: none"> • Depends on other budget proposals and prioritisation of essential service delivery, but could not be fully mitigated – would require other service reductions. • Publicity - improved communication / information. • Anti-fraud / intervention measures

<ul style="list-style-type: none"> organisations. • Uncertainty over future expenditure - increasing caseload. • Reputational damage regarding other affected stakeholders and services, as well as operational consequences. 	<ul style="list-style-type: none"> to reduce cost of scheme. • Future review of scheme.
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Option 2 Summary:

This option would not help develop a change in culture and education for non-payers, and based on current forecasts and other authorities' consultation responses, it is considered unaffordable and unsustainable given the impact it would have on local government services as a whole. This option is not recommended by Officers, therefore.

Nonetheless, this option represents the Default Scheme as referred to in section 1.7 and it would therefore be imposed, in the event that Council fails to reach a decision.

6.4 Option 3

Adopt a broadly cost neutral scheme by applying a 23% reduction (using "Model 1") to council tax support for all working age claimants.

Financial Implications:

	City Council	Major Precepting Authorities	Parishes	Total
Council Tax collectable from working age claimants	(163)	(1,117)	(9)	(1,289)
Estimated Council Tax support to claimants	1,161	7,982	67	9,210
Provision for non-collection/hardship fund (20%)	32	223	0	255
Total Cost of Scheme	1,193	8,205	67	9,465
Funded by:				
Council Tax Support Grant	(1,193)	(8,137)	(67)	(9,397)
Overall Shortfall	0	68	0	68

This option is estimated to be broadly cost neutral for the City Council, although it would still result in some comparatively minor costs for major preceptors. These are considered manageable overall.

It can be seen that this option provides for compensatory one-off grants to parish and town councils amounting to £67K.

Other Key Considerations

Risks / Disadvantages	Mitigation
<ul style="list-style-type: none"> • Considerable adverse impact upon low income working age families. • Reduced collection rates. • Greater enforcement issues (wilful refusal / culpable neglect). • Increased write offs. • Increased administration - impact on staff resources, incl. face to face and telephone enquiries. • Escalation of complex cases. • Increased complaints. • Reputation – bad publicity from claimants. 	<ul style="list-style-type: none"> • Working with welfare benefits, debt advice, landlords, bailiffs. • Increased Hardship Fund. • Revised debt collection policies. • Magistrates court liaison. • Use of new technology (self-serve) • Education process for previous non-payers. • Fraud / intervention measures to reduce cost of scheme. • Future review of scheme.

Option 3 Summary

This option would present the greatest challenges and risks in terms of collection and education, to foster a culture and expectation that working age families should generally expect to contribute towards council tax. It would have adverse financial impact on such families, but would help protect other local government services – some of which may be essential for more vulnerable households. Although not without risk, therefore, it provides an opportunity to develop and establish a broadly cost neutral support scheme (and learn through such development).

7 CONCLUSION

7.1 Under the Welfare Reform Act 2012 Council Tax Benefit has been abolished with effect from 1 April 2013, with a requirement for the council to develop a Localised Council Tax Support scheme. Three options are now presented for Council's consideration.

7.2 There are considerable challenges, risks and implications whatever option is chosen – there is no easy decision. Local Government cannot afford to continue providing all existing levels of service and support, however – something has to give. Essentially there is a trade off to be considered between the impact from reducing financial support to working age claimants and the impact from reducing other local government services.

- 7.3 Of the three Options presented, Option 3 is based on a broadly cost neutral scheme, thereby avoiding any significant cost pressures for Local Government. This option would reduce the financial support available for households and would present challenges and risks in terms of administration, collection and recovery, with the aim of lessening reliance on welfare support. There would be safeguards in place for the most vulnerable through a larger Hardship Fund, the exact details of which are yet to be developed. Adoption of this option would enable the authority to meet its statutory obligations and provide local assistance, whilst trying to protect its (and other authorities') financial positions.
- 7.4 Options 1 and 2 would both result in greater financial pressures for local government in this district – including the City Council.
- 7.5 Option 1 may be regarded as an interim scheme to take advantage of transitional funding. It would give some time to develop and establish the new arrangements, and provide a step change for households in adjusting to welfare changes. It would have adverse implications for other services, however, (as more savings would still need to be made elsewhere) and based on current expectations and forecasts, it is unsustainable beyond next year. In short, it is not cost effective to accept the transitional funding as the changes required to meet the qualifying criteria place a financial burden on the Council and its major preceptors.
- 7.6 Option 2 would maintain current levels of support, but it is currently unaffordable and would result in even more reductions to other local government services for the district. As mentioned earlier, Officers would not recommend this option. Nonetheless, if Council fails to reach a decision by 31 January, this option would be imposed by default, with associated reputational damage as well as increased need to make savings in other service areas.

RELATIONSHIP TO POLICY FRAMEWORK

The proposals have been developed in support of the Council's Medium Term Financial Strategy, whilst also supporting corporate aims regarding the priority for health and wellbeing.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The overall aim has been to develop a cost neutral Council Tax Support Scheme option for the Council, which supports the objective of simplicity, protects the most vulnerable people and minimises the impact on incentives to work. Given the transitional funding offer, an alternative option has also been developed.

It is recognised that there are many areas of the community that will suffer difficulties as a result of these changes. The Council must ensure that it has due regard to equality in making its local scheme, including how it will remove or minimise any disadvantage suffered by people with a protected characteristic (by way of age, disability, gender, race, religion etc).

An Equality Impact assessment is provided under **Appendix F** to this report.

There are no Fair Employment Rights contained within this report.

FINANCIAL IMPLICATIONS

As set out in the report.

From an administrative point of view, the new arrangements will work completely differently. Rather than recipients being awarded benefit against their council tax bills, in future recipients will have their council tax bills reduced – in whole or part. This means that the new arrangements will result in a drastically reduced tax base – with Government grant being received to help offset this loss of council tax income.

The Scheme is set each year and cannot be amended, even if there is a large increase in claims for support. Increased claims will result in further Council Tax reductions which adversely impact on Council Tax resources. The Council will closely monitor the scheme and carry out financial scenario modelling in order to view the impact of caseload.

The Council still has a Welfare Reforms Reserve of £200K, and this will be retained to help manage the various financial risks attached to the new arrangements.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has contributed to the production of this report, which is in her name (as Head of Resources).

LEGAL IMPLICATIONS

Section 13A of the Local Government Finance Act 1992 (as substituted pursuant to section 10 of the Local Government Finance Act 2012) provides that the Council must approve a Council Tax Support Scheme on or before 31 January 2013.

Prior to the making of a Council Tax Support Scheme the Council is required to consult its major precepting authorities, publish a draft scheme and then consult such other persons as it considers are likely to have an interest in the operation of the scheme (in that order). It is confirmed that the Council consulted and published its draft scheme. Following the approval of the Council Tax Support Scheme the Council must publish the same as it thinks fit.

The Secretary of State has laid by way of statutory Regulations a default scheme. If the Council fails to approve a Council Tax Support Scheme on or before 31 January 2013 the default scheme will take effect in respect of dwellings situated within the Council's area.

Each financial year the Council will need to consider whether to revise its Council Tax Support Scheme or replace it with another scheme. Any such revision or replacement scheme must be made by 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. Any Hardship Fund will be introduced as part of the Scheme under the substituted Section 13A(1)(c) of the Local Government Finance Act 1992.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS**Results of Public Consultation Exercise**

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**Lancaster City Council
Summary Principles of the Council Tax Support Scheme**

Words in *italics* are subject to change to reflect the specific decisions of Council. In due course, as and when administrative requirements become clearer, any decision-making requirements will be addressed through the Council's normal channels, in line with the Constitution.

The Council Tax Support Scheme will be drafted, based upon the following principles, and should:

- (i) be calculated as a means tested discount, defined by the terms of the existing Council Tax Benefit scheme *with a % reduction applied at the end of the calculation;*
- (ii) *ensure that every household with working age claimants must pay something towards their Council Tax;*
- (iii) protect pensioners (a Government requirement);
- (iv) help protect the most vulnerable members of our society as much as possible;
- (v) retain a local arrangement for war pensions to be disregarded in full;
- (vi) support positive work incentives that are built in to benefit those who find work; and
- (vii) *include a hardship fund to help claimants who suffer exceptional hardship as a result of these changes.*

Class of persons

The scheme will set out proposed rules for working age claimants. Regulations will prescribe a scheme for claimants of state pension credit age and will prescribe certain classes of persons who are not eligible to claim Council Tax Support.

It is proposed that eligibility for council tax support be determined by reference to means testing i.e. the income and capital of the claimant and any partner; and by the income capital and number of non-dependants in the household.

It is proposed that eligibility under the new scheme is defined by the terms of the existing CTB scheme as set out in the Social Security Contributions and Benefits Act 1992, the Social Security Administration Act 1992, the Council Tax Benefit Regulations 2006 and the Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001. These regulations set out how Council Tax Benefit is claimed, how it is calculated and how it is paid. This draft scheme proposes that the principles and methods set out in those regulations be used to determine Council Tax Support, except where amendments are set out in this draft scheme or by statute under the Local Government Finance Act 2012 and accompanying legislation.

Class of reduction

The scheme will align with the basic principle of the need to create work incentives.

The scheme proposes to keep the current system of making deductions from the eligible council tax for each non-dependant person in the household. The categories of non-dependant will be set out as they are in the council tax benefit regulations at the date this scheme is created. It proposes that the income brackets may be altered in line with the general up-rating arrangements in the scheme.

The scheme proposes that any amount of unearned income that is disregarded in the current scheme may be included as unearned income in the calculation of council tax support.

Consideration will be given as to how to determine income from benefits established under the Welfare Reform Act 2012, such as universal credit and personal independence payments, when regulations have been issued setting out the method of calculation for these benefits.

It is proposed that the treatment of income and capital set out in schedules 3, 4 and 5 of the CTB regulations (2006) may be revised at any point.

Applications

An application will be required for all new claims from the 1st April 2013. An appropriate means of application will be decided by the authority and may be revised as required. Statutory regulations are intended to define how claimants currently in receipt of Council Tax Benefit will transfer onto the new scheme. This statutory method will be used in the new scheme.

A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

General administration of the scheme

Apart from where statutorily required, advice of any award granted, removed or revised will be by an adjustment to the Council Tax bill and the bill itself will be the formal notification. The authority may reserve the right to include additional notifications.

Changes in Circumstances

Matters relating to the duty for a claimant to notify the Local Authority of a change in circumstances shall generally replicate those currently applied to the existing Council Tax Benefit scheme.

Appeals process

Consideration will be given as to how a claimant may appeal a decision made by the local authority under the new scheme and to what decisions are appealable under the new scheme.

Central Government indications are that Valuation Tribunals would be defined as the body to which an appeal can be made, although requests for reconsiderations are likely to be addressed at a local level. Regulations are intended to define the body to which an appeal can be made.

Up-rating

This draft scheme proposes that any figures set out in the scheme may be up-rated, to take effect on 1st April each year following the commencement of the scheme, by the consumer price index, retail price index rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for Housing Benefit and Universal Credit or as decided by the authority.

Other Matters

It is proposed that the scheme may be amended to take into account any circumstances subsequently identified, whether through government statute, public consultation or any other means.

Models for Lancaster's Council Tax Support Scheme

The Government has said that pensioners must not be worse off under a new scheme and therefore proposals only apply to working age claimants. It is proposed that Council Tax Support is calculated in a similar way to Council Tax Benefit for all models, with a different deduction applied to each model.

Model 1: Council Tax Support is calculated on the full amount of Council Tax and the Council could consider applying a standard % deduction at the end of the calculation for all working age claimants.

In order to make the £1.1M savings (and protect pensioners from any increase), an estimated 23% reduction would need to be made on the final support award for ALL working age claimants. 'Working age' means those claimants who are between 18 and the qualifying age for state pension credit.

Examples:

- 1) A working age couple on a low income, living in a Band A property (the lowest value) receiving £2.72 per week under the current scheme would now receive £2.09 per week in Council Tax Support.*
- 2) A working age couple living in a Band A property who currently have no Council Tax to pay (e.g. those on Jobseekers Allowance), would start to pay around £4.45 per week Council Tax; a single person would pay around £3.34 per week.*
- 3) All working age claimants would have some Council Tax to pay.*

Model 1 is the Council's preferred option, because:

- Using the same calculation method means that the higher needs of some households, e.g. the disabled, carers and families with children, will continue to be taken into account (as some of the benefits these households receive are currently not included in 'household income' on which entitlement to support will be based).
- We believe that reducing support in this way applies a fair and consistent reduction for all claimants of working age, after other income needs have been taken into account.

Model 2: The Council could consider limiting the amount of Council Tax eligible for support by calculating Council Tax Support on a reduced % of the Council Tax bill. In order to make the £1.1M savings (and protect pensioners from any increase), all working age claimants would pay the first 23% of their Council Tax bill and Council Tax support is calculated on the rest.

Examples:

- 1) At the 23% deduction rate a working age couple on a low income, living in a Band A property previously receiving £2.72 per week under the current scheme would now no longer qualify for Council Tax Support.*
- 2) A working age couple living in a Band A property who currently have no Council Tax to pay (e.g. those on Jobseekers Allowance), would start to pay around £4.45 per week Council Tax; a single person would pay around £3.34 per week.*

3) *All working age claimants would have some Council Tax to pay.*

Model 2 is similar to Model 1 but the impact of this scheme reduces support at a greater rate. It therefore reduces the number of claimants who would qualify for support.

Model 3: A standard flat rate reduction is applied to the calculation for all working age claimants, regardless of their financial circumstances.

In order to make the £1.1M million savings (and protect pensioners from any increase), **an estimated £183 per year reduction (£3.52 per week) would need to be made on the final support award for all working age claimants.** However, if your Council Tax Benefit would have been less than £183 per year under the current scheme, no support will be received under this Flat Rate Reduction option.

Examples:

- 1) *A working age couple on a low income, living in a Band A property (the lowest value) receiving £2.72 per week under the current scheme would no longer qualify for Council Tax Support.*
- 2) *A working age claimant living in a Band A property who currently has no Council Tax to pay (e.g. those on Jobseekers Allowance), would receive £183 less in Council Tax Support and start to pay £3.52 per week (£183 per year) towards Council Tax; .*
- 3) *All working age claimants would have some Council Tax to pay.*

LANCASTER CITY COUNCIL
SEPTEMBER/OCTOBER 2012
COUNCIL TAX BENEFIT CONSULTATION
Report compiled
20.11.2012
Analysis and report by
NWA Social Research

1. KEY FINDINGS

MAKING THE SAVINGS: OPTIONS FOR LANCASTER'S COUNCIL TAX SUPPORT SCHEME

- 1.1 When asked which of the three models for a Council Tax Support Scheme they favoured, over half of all respondents (53.0%) favoured 'Model 1 - Apply a percentage deduction at the end of the calculation'. Smaller minorities of respondents favoured 'Model 2 - Limit the amount of Council Tax eligible for benefit' (13.3%), and 'Model 3 - Apply a standard flat rate reduction to the calculation' (10.4%). 16.4% gave 'don't know' responses, while 6.8% gave 'other' replies.
- 1.2 The majority of respondents (60.7%) believed that the new Council Tax Support Scheme should be calculated in the same way as Council Tax Benefit, while 13.9% disagreed that this should be the case, and a quarter (25.4%) gave 'don't know' responses.
- 1.3 Nearly two-thirds of all respondents (64.0%) stated that they think everyone of working age should pay something towards their Council Tax regardless of their financial circumstances, while 28.7% disagreed with this proposal, and 7.4% gave 'don't know' responses.
- 1.4 Of those respondents who said that everyone of working age should pay something towards their Council Tax regardless of their financial circumstances, 16.8% believed that the maximum percentage reduction that should be applied to any working age benefit claimant is '5%'. 17.0% of respondents felt that this maximum percentage should be '10%', around a quarter (26.4%) that it should be '18%', and 12.2% that this should be 'more than 18%'. (27.6% of respondents were 'not sure' what the maximum percentage reduction should be.)
- 1.5 Respondents who either didn't believe that everyone of working age should pay something towards their Council Tax regardless of their financial circumstances, or that a maximum percentage reduction of either 5% or 10% should be applied to any working age benefit claimants (and therefore consider that the Council should not make all of the £1.1m savings needed by reducing support to working age claimants),

were then asked in which ways the Council should make additional savings. 30.9% of these respondents believed this should be done 'by stopping or reducing some Council services', and 29.3% that this should be done 'by increasing fees and charges for other Council services', while 13.5% believed these savings could be made 'by increasing Council Tax'. (26.3% gave 'other' responses.)

PROTECTION FOR VULNERABLE HOUSEHOLDS

1.6 Respondents were told that:

"The Council believes that the present scheme is the best and most practical way of recognising the particular needs of families, carers and people with disabilities, and proposes retaining this scheme."

When asked whether they agree or disagree with this proposal, three-quarters of all respondents (74.6%) stated that they 'agree', while 8.6% stated that they 'disagree' and 16.8% gave 'don't know' responses.

ENCOURAGING PEOPLE INTO WORK

1.7 The majority of all respondents (68.4%) said that the Council should keep existing financial incentives for a limited period for those of working age who start work or increase their hours in order to encourage people into work. 14.0% of respondents did not believe the Council should keep existing financial incentives for a limited period, and 17.6% gave 'don't know' responses.

HARDSHIP FUND

1.8 Over three-quarters of respondents (77.7%) agreed that the Council should set up a discretionary scheme to help claimants who suffer exceptional hardship as a result of changes to the Council Tax Benefit system in Lancaster. 12.3% disagreed with this proposal, while 10.0% gave 'don't know' responses.

CONSULTATION WITH MAJOR PRECEPTING AUTHORITIES



Contact: Nadine Muschamp
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E-mail: nmuschamp@lancaster.gov.uk
Website: www.lancaster.gov.uk
Our Ref: HFS/LW



03 August 2012

Gill Kilpatrick
County Treasurer
Lancashire County Council
PO Box 100
County Hall
PRESTON
PR1 0LD

Resources

Nadine Muschamp
Head of Resources

Town Hall
Dalton Square
LANCASTER LA1 1PJ

DX63531 Lancaster

Dear Gill

Consultation on Localised Council Tax Support

The purpose of this letter is to consult you about the approach that the Council intends to adopt in establishing its scheme for Council Tax Support from April next year.

The City Council is in the process of drafting a local scheme and it is committed to carrying out a comprehensive consultation exercise with affected individuals over the period from late August to November 2012. This will allow sufficient time for proper consideration and analysis of all points raised during consultation, prior to the City Council making decisions in December regarding adoption of its local scheme.

The supporting consultation document will be finalised soon. It will be based on the options that were included in the county-wide scheme options report considered by Lancashire Leaders at their meeting on 09 July. The City Council will indicate that it favours Option B from that paper, but at this stage, there is no preference in terms of the percentage reduction to be applied.

In line with the Local Government Finance Bill, the Cabinet Portfolio Holder and I are all keen to ensure that the views of the three major precepting bodies are reported and taken into account, both in agreeing the consultation document and in the actual decision-making process.

It is with these aims in mind that I set out below the key factors that have shaped the options identified for consultation.

Financial Context

It is estimated that the total bill for Council Tax Benefit ("CTB") awarded to City Council residents in the current year will be just over £11M. A 10% reduction in funding from Government will therefore amount to around £1.1M.

Ease and Cost Effectiveness of Administration

The Council currently has a total of 7,699 working age CTB claimants. Of this total 5,243 are what are described as "passport" claims. What this means is that the Department for Work and Pensions (DWP) has given the claimant access to particular benefits (such as income support) which automatically entitles them to full CTB also. This means that the Council does not have to verify their income and capital for a second time. The Council carries out a full verification and assessment on the remaining 2,456 cases.

If the local scheme were to require a detailed assessment of all 7,699 cases, the administration involved could triple. The additional cost that this exercise would involve is not insignificant and would fall solely on the City Council. In the context of the expected funding reductions for council tax benefit quoted earlier, such increases in administration would be disproportionate and as a result, a scheme requiring a detailed means assessment of all cases is unlikely to be considered.

The Default Scheme

If a billing authority fails to develop and agree a local scheme before the end of January 2013, a default scheme will apply. The Department for Communities & Local Government (DCLG) guidance states that the default scheme will operate in 'as close a way as possible' to the current CTB scheme, and will not achieve any reduction in expenditure. This would result in financial pressure both for billing and precepting authorities in order to manage the funding reductions (subject to confirmation of grant levels).

In the circumstances this is not considered a feasible option.

Maintaining Current Levels of Council Tax Support

The Council could, after consultation, make a decision to maintain the current level of support. This would result in a similar outcome to the previous option, but would be a conscious decision of the Council, rather than an automatic transfer to the default scheme.

Such a new scheme would offer claimants the same level of support as now, and the reduction in Government grant would not be 'passed on'. Instead council tax payers, either through higher taxes, increased fees and charges or through reductions in other services, would cover the reduction.

Advantages:

- It has least impact on those currently claiming benefit
- There is a limited need for retraining of staff
- No direct impact upon council tax recovery rates

Disadvantages:

- Significant financial impact on the Council and other preceptors. Should caseload increase, the level of financial impact would increase.
- Those occupiers not receiving benefit may consider themselves hard done to if they are charged more to subsidise a welfare service, or if they saw reductions in other services to fund the cost of maintaining benefits.

In the circumstances this is not considered a feasible option.

Options to Reduce Current Levels of Council Tax Support

If the Council is to adopt a scheme that reduces benefits across the board there are three basic ways this could be achieved.

Option A – Apply a flat rate minimum payment for Council Tax to all claimants

Applying a 'flat rate' minimum charge for council tax to all claimants would mean that claimants currently in receipt of a 100% rebate would pay this minimum charge. For those claimants in receipt of a lower rate of benefit this would represent an additional contribution to their council tax charge – one example is that all claimants would pay an additional £3 per week in council tax and those current receiving less than this in CTB would lose their entitlement.

Based on achieving the saving necessary for the cost of the scheme to match resources, a flat rate additional payment by all benefit claimants would average at £157 per annum. This calculation does not take account of the impact of those receiving less than this amount; to calculate the actual reduction would require further modelling. The Council will seek views on the issue of the potential level of the flat rate reduction in its consultation document.

Advantages:

- It appears that the software suppliers are likely to make this option available and it should therefore be practical to administer.
- Easy to communicate to customers and stakeholders, as an additional circa £3 per week for all benefit claimants to pay.

Disadvantages:

- A flat rate payment may be subject to challenge on the basis that it fails to differentiate between affected groups:
- Imposition of a minimum payment would remove all entitlement to support from those currently receiving CTB at a rate equivalent to less than the proposed minimum payment. This might be construed as disproportionately affecting these customers.
- An across the board cut takes no account of those most vulnerable, and does not create work incentives
- Debt management would be difficult for those with existing debts.
- A separate risk with any approach based on achieving the minimum levels of expenditure reduction is that it does not provide contingency for economic changes, other than to increase the flat rate charge.

Option B – apply a percentage reduction to the benefit award under the current CTB scheme – eg. reducing current entitlement by XX%.

This is based upon a basic amendment to the current scheme whereby benefit is calculated in accordance with current CTB rules, but a percentage reduction in benefit is applied at the end of the calculation. Current estimates suggest that to cover the reduction in grant and mitigate the impact on the Council's budget, the minimum percentage reduction required would be around 18% in order to deliver the required level of a 10% saving in CTB working age spend.

It would be possible to increase the percentage reduction in benefit to 20%, allowing some funds to be treated as available for contingency, and / or special cases of hardship. The Council will seek views on the issue of potential percentage reductions in its consultation document.

Advantages:

- Simple and easy to explain to claimants and stakeholders
- Easy to administer – no retraining of assessment staff
- Fair scheme for Equality Impact Assessment purposes
- Software suppliers will make this option available as minor changes to existing parameters
- Aligns with other needs assessments e.g. care
- Aligns with the basic principle for any new scheme to create work incentives

Disadvantages

- No additional recognition of special groups although protection is built into the existing rules
- Creates difficulties in collecting small amounts of council tax

Option C – Limiting the amount of Council Tax eligible for rebate – eg. setting XX% as the maximum rebate;

The principle of limiting the amount of tax eligible for benefit would deliver the required savings, whilst retaining the core calculation associated with CTB. It would restrict the amount of council tax eligible for benefit to a given percentage. This is very similar to applying a percentage reduction in support. However, due to the effect of the 'taper' within the CTB calculation this method of approach would reduce benefit slightly more steeply for those customers above minimum income levels ('non-passported cases'). The Council will seek views on the issue of potential percentages as a maximum rebate in its consultation document.

Advantages:

- Simple and easy to explain to claimants and front line services
- Easy to administer – no retraining of assessment staff
- Forecasting for future years is a simpler process
- Software suppliers will make this option available as minor changes to existing parameters

Disadvantages

- No incentives to work
- No additional recognition of special groups although protection is built into the existing rules
- Creates difficulties in collecting small amounts of council tax
- The scheme reduces the number of claimants qualifying for benefit

Summary Options Appraisal and Conclusions

The option of a 'flat rate' payment (Option A), whilst initially appearing fair, would have the consequence of removing all entitlement for those receiving below the target figure. This would have a disproportionate effect on claimants with an income above minimum 'living allowances', including those in work. Given that this option raises significant concerns regarding the principle of fairness, it is not recommended to be taken forward as a feasible option unless consultation or further modelling suggests otherwise.

The remaining two options (Option B & C) are to restrict benefit, either by (B) using the existing benefit calculation, and applying a percentage reduction to the award at the end of the calculation; or by (C) applying a ceiling to the maximum rebate.

Whilst these two options are similar, initial analysis suggests that the effect of a ceiling approach (Option C) would reduce the number of claimants that qualify for benefit under the new scheme. A scheme designed under Option B would protect those customers whose income is slightly above minimum 'living allowances', providing greater work incentives, in line with the basic principles of the scheme.

The preferred option for the Council is Option B, matching recommendations recently presented to the Lancashire Leaders Group. In recognition of the short timescales this would be one of the simpler schemes to administer.

A modelling tool will be used to assess the impact of these options on existing claimants within the authority, alongside the consultation process.

The existing CTB scheme already provides protection for certain vulnerable groups within the underlying rules which provides for disability premiums, additional personal allowances for children and for a small amount of earned income to be ignored in the calculation of benefit, dependant on household circumstances. By keeping existing income disregards/premiums and allowances, the local authority is already protecting vulnerable people as their calculation would reflect their specific needs.

All the figures quoted above assume that any additional taxes levied as a result of the adoption of a local scheme are collected in full. In practice this will not happen. Any payments that are made will be from limited household budgets and in many cases the individuals involved are making no payments at all at the moment. Establishing a pattern of regular payments will be far from easy and it would be wise to assume an increase in the non-collection rate for Council Tax.

The Council recognises that before finalising any scheme a full and detailed Equalities Impact Assessment will need to be carried out to ensure the range of impacts on different categories of claimants is understood and that the overall work is robust and resilient to challenge. This work is ongoing.

For consultation purposes, Option B is the Council's favoured option. However, further work will be undertaken in respect of the impact assessment and the detailed modelling work and the outcome of this work along with the consultation results will be factored into the final recommendation to Council.

The Council will also indicate in its consultation document that it is minded to maintain existing premiums and disregards, with no further targeted protection to be offered under the new local Scheme. This would enable the percentage reduction in the level of support provided to be applied consistently across vulnerable groups. Views will be sought on this issue in the consultation document.

To a large degree the work that we have carried out in Lancaster and the conclusions that we have drawn mirror the outcomes of the analysis that has been carried out on the development of a county-wide scheme. You will no doubt also note that our approach to consultation is the same as Preston City Council's, being our shared service partner.

Nonetheless, Lancaster appreciates the potential impact of that final scheme may have on both its own and the County Council's finances. At the same time, however, it needs to balance this against the impact on vulnerable / low income council tax payers of the district. The City Council appreciates that the County Council will have strong views in respect of any final scheme approved; consequently I wanted to provide this opportunity for your initial thoughts to be considered.

I would be very grateful for an early response to this consultation, ideally by 06 August, in order for it to be shared with the Cabinet Portfolio Holder in considering the final draft consultation document. I appreciate that this is a very tight timescale, but hopefully as Lancaster's proposed approach is the same as Preston's, this should make responding easier. I do hope that you will feel able to support our approach.

On a separate matter, you will be aware that the Government has consulted on various changes that would give local authorities more discretion to increase council tax income overall, predominantly by reducing the discounts or exemptions available for the various categories of empty properties. The City Council will consider these proposals later this year as part of its wider financial planning and budgeting, and the major precepting authorities will be consulted as part of that decision-making process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Muschamp', with a stylized flourish at the end.

**NADINE MUSCHAMP
HEAD OF RESOURCES**



Nadine Muschamp
Head of Resources
Lancaster City Council
Town Hall
Dalton Square
LANCASTER LA1 1PJ

Phone: (01772) 533355
Fax: (01772) 532885
Email: geoff.driver@lancashire.gov.uk
Your ref: HFS/LW
Our ref: GD/GK/AP
Date: 3 August 2012

Dear Nadine

Localised Council Tax Support

Thank you for your letter of 3rd August 2012 consulting the County Council on the approach that Lancaster City Council intends to adopt in establishing its scheme for Council Tax Benefit Support (CTB) from April next year. We very much welcome the opportunity to have the views of the County Council presented to the City Council's Portfolio Holder when a draft scheme for consultation is considered during August 2012.

It is our view that the City Council's proposed CTB scheme must:

- be affordable in terms of grant received, revenue loss and costs to operate;
- be as fair as possible
- be transparent, understandable to customers and practical to operate;
- be feasible to implement within the constraints of the timescales and available software;
- be simple in design, avoiding unnecessary complexity; and
- avoid the costs and risks associated with collecting additional data.

The County Council is supportive of the overall approach you have set out within your letter. Indeed, intelligence gained indicates that your proposals are very similar to those likely to be implemented across the rest of the country.

It is important to make the point very clearly that the County Council supports your view that the adoption of a scheme which entirely mirrors the existing CTB regime is not feasible, whether through the default scheme or through a decision to maintain support at current levels. This would result in significant additional financial pressure on local government budgets, requiring additional ongoing savings to be made elsewhere to fund the additional costs. This would be unacceptable because it takes no account of the likely impact on other services, particularly those to the most vulnerable members of the community.

/Contd...

County Councillor Geoff Driver
Leader, Lancashire County Council
PO Box 78 County Hall
Preston PR1 8XJ

Within this context, the County Council does not support an approach which would maintain existing levels of support due to the significant financial pressure this would bring.

In terms of the specific issues you have raised I would make the following points.

The Basis of the Scheme

We note that if the City Council adopts a scheme reducing CTB across the board the preferred way of achieving this is Option B as set out in your letter. We believe that this option would offer a more equitable and proportionate impact across all claimants, and would provide additional work incentives. This is a key consideration within the scheme and the County Council supports this approach. The County Council would not support the introduction of a flat rate minimum payment, or a scheme which limits the amount of council tax eligible for benefit for the reasons set out in your letter. We do not consider that either of these options would fulfil the principle of the scheme being as fair as possible. It is also sensible for a hardship fund to be established by the City Council, however, we would support this being established outside of the council tax support scheme and funded on a discretionary basis.

Targeting of Support

As you set out in your letter, the current system of CTB provides further protection for vulnerable people and those in work. By adopting a scheme based on the current scheme, the City Council will continue to provide a level of protection to vulnerable groups. In particular, the existing CTB scheme already provides protection for certain groups within the underlying rules of the CTB scheme which provides for

- disability premiums;
- additional personal allowances for children; and
- a small amount of earned income to be ignored in the calculation of benefit.

It would appear to be the most fair and equitable approach that support is provided equally amongst vulnerable groups, with the level of support determined by the resources available.

Cost of administration

It is vitally important that in all aspects of local government we seek to minimise the cost of administration, in order that we may protect services to the most vulnerable members of our communities as far as possible. We consider it vital that the draft scheme considered by the City Council must rely on existing data, and not add to the administrative burden funded by council tax payers.

In conclusion, the County Council is supportive of the approach set out by the City Council in recommending a scheme which fits within the financial envelope determined by the Government, and is based on principles of equity. I must stress

however, the County Council would not support the adoption of a scheme that mirrors the existing CTB scheme, and passports significant financial pressures to services provide by local government, with the consequential impact on services across Lancashire.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Driver', written in a cursive style.

Cty Cllr Geoff Driver
Leader of County Council



Lancashire
POLICE AUTHORITY
Your County, Your Police, Your Say



Nadine Muschamp
Head of Resources
Town Hall
Dalton Square
Lancaster
LA1 1PJ

Please ask for : Lisa Kitto
Telephone : (01772) 534757
Fax : (01772) 534870
E-Mail : lisa.kitto@lancashire.gov.uk
Your ref : HFS/LW
Our ref : LK/JA
Date : 06 August 2012

Dear Nadine,

Localised Council Tax Support

Thank you for your letter of 3rd August 2012 consulting Lancashire Police Authority on the approach that Lancaster City Council intends to adopt in establishing its scheme for Council Tax Benefit Support (CTB) from April next year. We very much welcome the opportunity to have the views of Lancashire Police Authority presented to the City Council's Portfolio Holder when a draft scheme for consultation is considered during August 2012.

It is our view that the City Council's proposed CTB scheme must:

- be affordable in terms of grant received, revenue loss and costs to operate;
- be as fair as possible
- be transparent, understandable to customers and practical to operate;
- be feasible to implement within the constraints of the timescales and available software;
- be simple in design, avoiding unnecessary complexity; and
- avoid the costs and risks associated with collecting additional data.

Lancashire Police Authority is supportive of the overall approach you have set out within your letter. Indeed, intelligence gained indicates that your proposals are very similar to those likely to be implemented across the rest of the country.

It is important to make the point very clearly that Lancashire Police Authority supports your view that the adoption of a scheme which entirely mirrors the existing CTB regime is not feasible, whether through the default scheme or through a

decision to maintain support at current levels. This would result in significant additional financial pressure on local government budgets, requiring additional ongoing savings to be made elsewhere to fund the additional costs. This would be unacceptable because it takes no account of the likely impact on other services, particularly those to the most vulnerable members of the community.

Within this context, Lancashire Police Authority does not support an approach which would maintain existing levels of support due to the significant financial pressure this would bring.

In terms of the specific issues you have raised I would make the following points.

The Basis of the Scheme

We note that if the City Council adopts a scheme reducing CTB across the board the preferred way of achieving this is Option B as set out in your letter. We believe that this option would offer a more equitable and proportionate impact across all claimants, and would provide additional work incentives. This is a key consideration within the scheme and Lancashire Police Authority supports this approach.

Lancashire Police Authority would not support the introduction of a flat rate minimum payment, or a scheme which limits the amount of council tax eligible for benefit for the reasons set out in your letter. We do not consider that either of these options would fulfil the principle of the scheme being as fair as possible.

It is also sensible for a hardship fund to be established by the City Council, however, we would support this being established outside of the council tax support scheme and funded on a discretionary basis.

Targeting of Support

As you set out in your letter, the current system of CTB provides further protection for vulnerable people and those in work. By adopting a scheme based on the current scheme, the City Council will continue to provide a level of protection to vulnerable groups. In particular, the existing CTB scheme already provides protection for certain groups within the underlying rules of the CTB scheme which provides for

- disability premiums;

- additional personal allowances for children; and
- a small amount of earned income to be ignored in the calculation of benefit.

It would appear to be the most fair and equitable approach that support is provided equally amongst vulnerable groups, with the level of support determined by the resources available.

Cost of administration

It is vitally important that in all aspects of local government we seek to minimise the cost of administration, in order that we may protect services to the most vulnerable members of our communities as far as possible. We consider it vital that the draft scheme considered by the City Council must rely on existing data, and not add to the administrative burden funded by council tax payers.

In conclusion, Lancashire Police Authority is supportive of the approach set out by the City Council in recommending a scheme which fits within the financial envelope determined by the Government, and is based on principles of equity. I must stress however, Lancashire Police Authority would not support the adoption of a scheme that mirrors the existing CTB scheme, and passports significant financial pressures to services provide by local government, with the consequential impact on services across Lancashire.

Yours sincerely



Lisa Kitto
Treasurer
Lancashire Police Authority

Sent: 03 August 2012 16:32
To: Wilson, Lesley; Muschamp, Nadine
Cc: SHQ - Mattinson, Keith
Subject: RE: Consultation on Localised Council Tax Support

Please see below for our response to you consultation letter. If you need a hard copy please let me know.

Thanks

Localised Council Tax Support

Thank you for your email dated 3 August 2012.

We are obviously concerned about the impact that the reduction in funding has on both our own funding levels and also on individual claimants.

We note that our share of the estimated reduction in government funding in respect of council tax benefit in Lancaster is £44k. However as you are aware this forms part of a county wide reduction for the Fire Authority of approx. £600k. As such we are obviously keen to ensure that any new scheme offsets the reduction in funding, thus presenting a cost neutral position for the Authority.

With this in mind we would support your design principles:-

- be affordable in terms of grant received, revenue loss and costs to operate
- be as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Analysis is required
- be transparent, understandable to customers and practical to operate
- be feasible to implement within the constraints of the timescales and available software
- be simple in design avoiding unnecessary complexity
- avoid the costs and risks associated with collecting additional data
- Incorporate a contingency saving to allow for growth in the number of claims.

In terms of the options presented we would support either option B or C which should ensure a cost neutral scheme:-

B Maintain the current council tax benefit rules but reduce the level of council tax support by a % at the end of the calculation (bottom slice)

C Maintain the current council tax benefit rules but applying a ceiling to the maximum rebate (top slice)

We are keen to ensure that any estimate of the impact of the new regulations are

robust, particularly with reference to anticipated collection rates.

We also share your concerns re the local demand for council tax discount and the potential for this to increase over the next few years, in contrast with the government's assumption that it will reduce, and believe that any scheme needs to be flexible enough to cope with changes in the future, and hence needs to have regular review periods to ensure that the scheme remains fit for purpose.

We note that you have made no reference to amending current council tax discounts or exemptions in respect of the various categories of empty properties, second homes etc. and would ask you to confirm what options relating to this you are currently exploring in order to generate sufficient additional council tax to bridge any anticipated shortfall, and would suggest that this could also incorporate a contingency element to allow for any potential growth in the number of claims

Sent on behalf of:

Keith Mattinson

Director of Corporate Services

Lancashire Fire & Rescue Service

From: Kilpatrick, Gill [mailto:Gill.Kilpatrick@lancashire.gov.uk]
Sent: 09 November 2012 15:41
To: Muschamp, Nadine
Subject: FW: The County Council's view on the £100m one-off grant off for council tax support

Dear Nadine,

Further to your request for the County Council's view on the one-off resources made available to support localised council tax support schemes which ensure that claimants who previously received 100% support pay no more than 8½% of their council tax liability, I can confirm that this issue was specifically considered at the meeting of the County Council's Cabinet on 8th November 2012.

You are aware that the grant offered by the government will not cover the cost of the scheme as proposed by the Secretary of State. Our initial estimates are that if all the Districts across Lancashire accepted the grant, the additional cost to the County Council could be in the range of £2½m - £3m in 2013/14, potentially rising to over £5m in 2014/15 (depending on what assumptions are made regarding the number of claimants, and collection levels). Clearly, there would be a financial impact on your Council as well.

The County Council is very concerned as to the potential impact that the further reductions required to fund this would have on services to the most vulnerable members of our communities across Lancashire, and does not support the implementation of a scheme which leaves such significant costs to fall on the County Council's revenue budget.

The resolution of the County Council's Cabinet is set out below, and I ask that this be taken into account when your Council considers its council tax support scheme.

"The County Treasurer be requested to urge all District Councils to carefully consider their response to the Government's announcement of £100m one-off funding for those authorities who implement a council tax support scheme which ensures that claimants currently on 100% support would not pay more than 8.5% of their net council tax liability and the impact on both their own services and the services provided by the County Council to the most vulnerable people in Lancashire."

Kind regards

Gill Kilpatrick
County Treasurer
Lancashire County Council

Tel : 01772 534715
gill.kilpatrick@lancashire.gov.uk

**LOCALISED COUNCIL TAX SUPPORT SCHEME
Full Equality & Human Rights Impact Assessment (EHRIA)**

<p>Department</p> <p>Resources</p>	<p>Division</p> <p>Revenues</p>	<p>Officers involved in the assessment</p> <p>Candice Lancaster, Special Projects Manager Helen Johnston, Benefits Manager Julie Smethurst, Revenues Manager</p> <p>Who is the owner of this EHRIA - responsible for monitoring outcomes?</p> <p>Adrian Robinson, Assistant Director (Revenues & Benefits Shared Service)</p>
<p>Name of the policy, function or service provision to be assessed:</p> <p>Council Tax Support Scheme</p>	<p>Date of assessment:</p> <p>6/11/12</p>	<p>Is this a new or existing policy or service provision?</p> <p>New</p>

Who defined the policy, function or service provision and who are the main stakeholders?

The Department of Communities & Local Government (DCLG) and the Local Authority.

The main stakeholders are:-

- Precepting Authorities;
- Residents;
- Council Housing
- Private and Registered Social Landlords;
- The Department for Work and Pensions;
- The Tribunal Service;
- HM Revenues and Customs;
- The Pension Service;
- Advice Services;
- Charities;
- Audit;
- Accountancy;
- Legal Services.

Who implements and who is responsible for this policy or service provision?

Adrian Robinson, Assistant Director (Revenues and Benefits Shared Service)

– **Describe the aims and objectives of the policy or service provision, how does it complement Lancaster CC Corporate Priorities:**

The Government’s focus on localisation and incentivising work underpins the rationale to localise Council Tax Support. By giving local authorities a greater stake in the economic future of their area it is hoped that longer term benefit dependency will reduce and local economies will be stimulated by having a population more incentivised to seek work.

The main aims and objectives are to design, adopt and implement a Local Council Tax Support Scheme to replace council tax benefit. This scheme must be in place by 31st January 2013 and ready for the financial year commencing 1st

April 2013 or the Government default scheme will be imposed.

The Spending Review announced measures to change the welfare system and the way services are delivered through a programme of public service reform. This includes the localisation of Council Tax Support.

Funding for Council Tax Support will be 10% less than we currently receive to fund Council Tax Benefit. For Lancaster this is estimated to give a shortfall of £1.1m.

The Local Government Finance Act 1992 has been amended – section 13A Council Tax Discount (Local Authority's power to reduce the amount of tax payable).

Support for pensioners will remain at the same level as now and will be delivered through a national framework of criteria and allowances.

Councils can choose – through the design of their scheme – whether some awards should be reduced, thereby increasing the amount of Council Tax the authority collects from some current welfare claimants.

Councils may also choose to manage the reduced funding for Council Tax Support by other ways. This could be through reconfiguring funding for other services through efficiency savings, etc. The effect of these decisions could be to enable local authorities to lessen the reduction in support to vulnerable working age claimants.

Overall the expected statutory changes are reflected in the Council's corporate priorities - working with partners and stakeholders to provide advice, guidance and support to the citizens of Lancaster who require it the most.

– **Do the anticipated outcomes meet or hinder other policies, values or objectives of the authority?**

The objective is to promote the principles of fairness, equality of opportunity, social inclusion and reduce poverty through excellent service provision, whilst achieving the required budgetary savings. Inevitably there is a trade off.

The adverse impacts may be justified by positive impacts of the policy:

- Giving local authorities a significant degree of control over how a 10% reduction in expenditure on the current Council Tax Benefit bill is achieved, allowing Councils to balance local priorities and their own financial circumstances. Reducing the costs of support for Council Tax is a contribution to the Government's vital programme of deficit reduction.
- Giving local authorities a financial stake in the provision of support for Council Tax and so a greater stake in the economic future of their local area, so supporting the Government's wider agenda to enable stronger, balances economic growth across the country. The government suggest that this reform will create stronger incentives for Councils to get people back to work and so support the positive work incentives that will be introduced through Universal Credit.

Some residents will face reductions in the amount of benefit they receive, hindering the tackling of multiple deprivation and social disadvantage. However, we are working closely with advice and support services to ensure those affected receive the right advice and support. Hard to reach groups will continue to be the focus of benefit take-up campaigns.

Policies and procedures are structured to ensure that all customers receive the correct amount of benefit and that every claim is considered on its own merits and in accordance with benefit legislation and DWP guidance.

<p>- Can you identify how this may impact on promoting good relations between different groups within the city?</p>	<p>Benefits is a front line service and contact with internal and external stakeholders is an integral part of the job. Membership of various liaison groups and forums ensures that the service does not become isolated from our customers.</p> <p>Partnership working is vital to the success of the benefits service and affects the quality of service we provide. By working with partners such as DCLG, The Department for Work and Pensions, Landlords and Advice Services, we are striving to meet the needs of the most vulnerable, raising awareness of the existing and rising needs of certain groups and communities, and these working relationships make us strong in delivering our services effectively and efficiently, and in good time.</p>
<p>– What are the expected outcomes from this policy or service provision?</p>	<p>As referred to earlier. Our objective is to promote the principles of fairness, equality of opportunity, social inclusion and help reduce poverty through excellent service provision, whilst achieving the required budgetary savings.</p>
<p>– Is this policy or service provision being delivered in partnership? If so, please detail partnerships involvement</p>	<p>Through existing shared service.</p>

Responding to Need

<p>– Who is intended to benefit from the policy, strategy or function and in what way?</p>	<p>Even though options for reducing Council Tax Support are being put forward, any future Scheme will still provide significant support to the district's families and individuals:</p> <ul style="list-style-type: none">• Individuals and families directly benefit from the service through the payment of support.• Communities benefit from reduced poverty and deprivation.• Individuals and families may benefit from schemes' increased work incentives.• The Government is committed to protecting pensioners so they will not see any reduction in Council Tax Support in comparison with their current levels of benefit. <p>All considerations have been made throughout this project to mitigate any adverse effects on any defined groups – but adverse impact cannot be avoided wholly.</p> <p>By using the applicable amounts and personal allowances currently used in the assessment of Council Tax Benefit, vulnerable groups will have a more generous assessment of Council Tax Support and so are considered to benefit from the new scheme as the reductions that they will see in their Council Tax Support will be smaller in real terms in comparison with claimants not afforded any additional protection based on their household composition or disability.</p>
<p>– What do you already know about who uses this service? Are there identified gaps in the information needed (Actions to collect this data should be included in your action plan)</p>	<p>The Council has invested in technology that enables us to analyse the demographics of our local area. We hold extensive and detailed data about our current CTB customer base and have used it to process model different financial scenarios.</p> <p>In terms of information about our customers, information we do</p>

	<p>not hold on certain characteristics, will be gathered as part of the consultation process.</p> <p>We know that the benefit caseload has increased over the last 2 years, since the recession, and continues to increase due to the current economic climate.</p> <p>47% of the Lancaster caseload is made up of pensioners and 53% are working age.</p>
<p>– What further consultation do you need to do? Please describe how you propose to proceed?</p>	<p>Formal consultation exercise undertaken.</p>

Assessing Impact on each Protected Characteristic

Look at each protected characteristic, would any group be affected differently than others? If you believe they would please identify whether this would be positively or negatively.

If there is no differential impact then you should select the neutral option.

Positive = you can evidence that outcomes from this project have / will impact positively on a protected characteristic

Negative / Unsure = Outcomes have not / are not expected to impact positively (There must be a corresponding action in your plan to address this or comment to justify why you cannot address the impact)

Neutral = No evidence either way

Protected Characteristic	Positive	Negative	Unsure	Neutral	Comments
Race				*	
Disability				*	
Gender				*	

Protected Characteristic	Positive	Negative	Unsure	Neutral	Comments
Age				*	
Religion & Belief				*	
Sexual orientation				*	
Socio economic				*	
Transgender				*	
Carers*				*	
Human Rights				*	
Pregnancy & Maternity				*	
Rural Issues*				*	
Ex Offenders*				*	

<p>If you found adverse impact on any grounds at all, can it be avoided? What action will you take?</p> <p>(If you make changes because of adverse impact make sure these don't have a further adverse effect on any other group)</p>		
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<p>If there is nothing you can do about any adverse impact highlighted, can the reasons be justified on the grounds of promoting equality of opportunity for any groups?</p>		
<p>What lessons have been learnt from completing the assessment?</p>		<p>Streamlining the administration of the scheme as well as the application and appeals process is vital to this project and improvements to customer service remains a priority.</p>

Signed (completing Officer)..... Signed (Lead Officer).....