



Title: **Council Tax Support - Draft Scheme**

Wards Affected: **All Wards**

To: **Overview and Scrutiny Board** On: **21 November 2012**

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## **1. Key points and Summary**

In the Spending Review 2010, the Government announced that it would localise financial support for Council Tax from April 2013. This means that Council Tax Benefit (CTB), the current means of helping people on low incomes to pay their Council Tax, will be replaced by new localised support schemes. In contrast with the present national CTB scheme, local schemes will have to be designed, implemented and managed by individual local authorities.

The Government's intention is to achieve a 10% reduction in CTB expenditure, which nationally in 2011/12 totalled £4.9 billion, and is expected to deliver savings of around £410 million.

Indicative funding levels were announced by the Department for Communities and Local Government (DCLG) in May 2012. The total amount for distribution will be based on forecasts of the England share of the total subsidised CTB expenditure for Great Britain for 2013-14 – the 2012 Budget estimate was £4,235 million. Based on these figures Torbay's funding will be cut by 11.5% when compared with 2011/12 CTB expenditure. The final figure will be confirmed by the DCLG in late Autumn, based on revised forecasts and national CTB expenditure for 2011/12.

The new scheme must be in place by 31 January 2013 or the Government default scheme, which is modelled on the current CTB scheme, will be imposed. The default scheme will continue to be demand led and will not have any scope to cover the reduced funding. This would be a cost to the Council of approximately £1.6 million and does not take into account increases in demand or Council Tax levels from April 2013.

Torbay's draft Council Tax Support scheme was published in July 2012 to form the basis of consultation ahead of the final scheme approval.

Public consultation commenced on 6 August and ran until 1 October 2012, as part of a co-ordinated, Devon-wide approach.

Following the consultation process the legislation will require Full Council to adopt a Local Council Tax Support Scheme by the end of January 2013 – to be implemented for the following financial year starting 1 April 2013

The Council at its meeting on 6 December will consider the following recommendations:

- Agree in principle the final scheme for implementation from April 2013.
- Agree in principle the provision of a Hardship Fund.
- Note the estimated effect on Torbay households and the Equalities Impact Assessment.

The Overview and Scrutiny Board is asked to consider the report and provide views and/or make any recommendations to the Council.

## **2. Introduction**

The Council has been working with other local authorities in Devon to establish a common framework for the new Council Tax Support scheme. The over arching principle is to develop a cost neutral scheme , however due to different demographics of individual billing authorities there will be local variations within a common framework.

The Devon authorities have covered the following:

- Established the effect that a 10% cut in Government funding will have on individual local authorities and the impact it will have Devon wide.
- Developed a Devon wide Vulnerability policy.
- Developing a Devon wide Hardship policy.
- Developed a range of potential options for Council Tax support schemes, all of which had detailed consideration.
- Developed information sharing channels and attended various meetings to discuss the potential implications of the impending changes.

## **Consultation and Communication**

The legislation sets out the consultation process as:

- Consult any major precepting authority which has the power to issue a precept to it;
- Publish a draft scheme in such manner as it thinks fit and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The following proposals were consulted on:

- Limit the maximum level of support to 75% of their Council Tax liability
- Restrict the maximum level of support to a Band D charge
- Withdrawal of Second Adult Rebate
- Reduce the upper Capital/Savings limit from £16,000 to £6,000

These proposals complies with the Draft Council Tax Reduction Schemes Prescribed Requirements) Regulations which are currently before Parliament with the intention that they become law by January 2013.

The consultation process commenced on 6 August 2012 and ran for an eight week period closing on 1 October 2012. A letter was sent to over 9,000 working age customers affected by the proposals, explaining the on line survey and that paper questionnaires were also available by post or from council reception areas if required.

The Council has also formally consulted with the major preceptors (Fire and Police authorities), who have been represented at the Devon authorities group meetings during the development of a Devon wide scheme.

The key outcomes from the consultation were:

- Just over 56% of respondents agreed that everyone should pay something towards their Council Tax.
- Nearly 60% of respondents agreed that people who live in higher banded properties and claim Council Tax Benefit should pay more.
- Just under 45% of respondents agreed with reducing the savings limit from £16,000 to £6,000.
- 44% of respondents agreed with removing Second Adult Rebate.

For further details of the consultation please refer to the Consultation Feedback report, published in October 2012.

### **Equality Impact Assessment**

The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity.

When developing policy, procedures, practices or services we need to consider any potential impact on groups affected by this change in relation to the three aims of the duty which are to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act

- Advance equality of opportunity between people who share a protected characteristic and those who do not
- Foster good relations between people who share a protected characteristic and those who do not

The impact assessment has established the following;

Total Caseload	18,126
Working Age	9,866
Pension Age	8,260
Working Age Male	4,280
Working Age Female	5,586
Working Age-Disability	3,754
Working Age-Carer	828
Working Age – Disabled Child	375
Working Age-Lone Parent Male	191
Working Age-Lone Parent Female	2,832

Our largest groups are single people representing nearly 44% of our Working Age caseload and lone parents representing nearly 31% of our Working Age caseload. Our smallest group are couples without children representing just over 8% of our Working Age caseload.

For further details of the consultation please refer to the Equality Impact Assessment report, published in November 2012.

### **Changes to the Draft Scheme**

The Council has throughout its consideration of its options looked at the equalities impacts of any proposals that could be put forward. The Council's scheme is designed to minimise as much as possible the impact on particular groups. Likewise, regard has been made to wider decisions across the authority that may also impact on similar groups of service users for example, to assess any cumulative impact which should be taken into account in reaching the decision.

The Equality Impact Assessment has highlighted a disproportionate impact on households where a Band D restriction combined with the 75% limitation applies. As a result it is recommended that this proposal is delayed for the first year of the scheme to enable customers affected by this change to consider alternative arrangements. This proposal will then be subject to a further review during 2013/14.

### **Hardship Fund**

It is recommended that a Hardship Fund will be made available to support those facing exceptional financial hardship. In line with other Devon authorities the amount will be calculated by applying 0.5% to estimated expenditure in 2013/14, which for Torbay is £16 million resulting in a fund of £80,000.

Details of how the Hardship fund will operate is currently being developed by Torbay and the other Devon authorities which will set out the criteria for applying to the fund and the policy will be available shortly.

## **Proposals for the Local Scheme**

The key principles of the scheme are:

- Pensioners are protected - protection means that the amount of Council Tax Support under the new scheme will be no less than the amount of Council Tax Benefit currently paid. This does not necessarily mean that they will not have to pay more Council Tax, for example if the precepts are increased.
- Council Tax Support is assessed on 75% of a household's Council Tax liability i.e. all households pay a minimum of 25% of their liability.
- There will be no entitlement to Council Tax Support where the applicant has savings of over £6,000.
- Second Adult Rebate for working age households will be removed.
- The means test for entitlement to Council Tax Support on remaining Council Tax liability is based on the current Council Tax Benefit scheme in terms of allowances and treatment of income.
- Additional support for exceptional financial hardship will be available through a hardship/vulnerability fund.

Failure to adopt a cost neutral scheme will require a substantial financial contribution from the Council to the scheme costs, creating a General Fund budget pressure. It would also require further consultation with Police and Fire as these authorities will also be required to contribute to any additional scheme costs.

**Paul Looby**  
**Executive Head of Finance**

## **Appendices**

*Appendix 1 - Draft Council Tax Support Scheme*

*Appendix 2 - Devon Recommended Final Schemes*

## **Documents available in members' rooms**

### **Background Papers:**

DCLG publications on Local Council Tax Support  
Devon Benefits Officers Group documentation minutes

## Appendices

### Appendix 1 – Draft Council Tax Support Scheme – issued July 2012

#### Executive Summary

It was announced in the spending review of 2010 that support for council tax would be localised from April 2013 and expenditure reduced by ten per cent. This means that local authorities would determine their own schemes based on finance from and guidance by the Department for Communities and Local Government (DCLG) rather than the DWP. This announcement was followed in February 2011 by the Welfare Reform Bill, which contained provisions to abolish Council Tax Benefit.

1. The Torbay scheme has been prepared within the framework of a Devon wide scheme that seeks to achieve cost neutrality i.e. the cut in Government funding is to be offset by making reductions in the amount of support certain households receive.
2. Members have been consulted in order to draw up proposals for the draft Torbay scheme.

In summary:

- Pensioners are protected (as required by Government)
  - Working age households will see a reduction in the support they receive and therefore will be required to pay more Council Tax
  - The reduction will mostly be achieved by basing calculations on 75% of the Council Tax bill rather than the full amount as at present
  - Second Adult Rebate for working age households will be removed
  - Other minor adjustments are to be made where the savings limit will be reduced from £16,000 to £6,000 and a banding restriction to a band D charge.
3. The draft scheme will be the subject of formal consultation with the major precepting authorities (Devon and Cornwall Police Authority, Devon and Somerset Fire Authority) and the parish preceptor Brixham Town Council. In addition, there will be consultation with the public and voluntary bodies.
  4. A proposed final scheme, taking into account consultation responses, will be brought to Full Council in December. The scheme will be implemented for the 2013/14 Council Tax bills to be issued in early March 2013.

## Officer Recommendations

- Torbay's draft Local Council Tax Support Scheme, as set out in paragraphs 20 to 22
- The communication & consultation plan and timetable as set out in this report.
- Authorise the Executive Head of Finance, in consultation with the Executive Lead Member for Finance, to initiate the consultation process.
- Note other benefit reforms and Equalities Impact Assessment.

## Financial Implications

5. Implementation costs: The Government has provided an initial grant of £84,000 and has indicated that additional funding will be made available. It is anticipated that the implementation costs will be met from this Government funding.
6. Abolition of Council Tax Benefit: Around £1.6m of expenditure and £1.6m of subsidy income will be deleted from the Council's budget from 2013/14. A contingency will need to be retained in case of subsidy being clawed back by DWP, for example, if the external audit process identifies errors in the final claim for 2012/13.
7. Impact of new scheme: The scheme is being designed to achieve "cost neutrality" – defined as being that there will be reductions in the amount of financial support given to local people sufficient to cover the cut in Government funding. Put another way, the estimated cost of the scheme should be in line with the Government funding being made available. The provisional figures have been announced and amount to an 11.5% cut compared with current spending levels. It is higher than 10% because the Government has based its calculations on a notional future measure of expenditure that includes inflation. The final figures will be confirmed in late Autumn.
8. Costs: The costs of the new scheme and the Government funding for the scheme will be borne by the major precepting authorities in proportion to their precept size: currently Torbay 84.41%, Police 10.66%, Fire 4.93%, (this varies slightly each year).
9. Demand risk: The Government grant will be a fixed sum. There is a possibility that demand and eligibility for financial support under the new scheme may be greater than current levels, particularly if economic conditions worsen. The cost of additional discounts would be borne in proportion by the major precepting authorities (Torbay, Police and Fire). Conversely if demand falls (e.g. if economic conditions improve), the additional saving would be realised by the same authorities. Thus the local authority has direct financial incentives to support their local economy.
10. Inflation risk: Council Tax freezes have operated in the last two years (apart from Police and Fire). There is a risk therefore that if Council Tax is increased by Torbay, Police and Fire, then the cost of the new scheme will increase.
11. Recovery costs: as a result of people on low incomes having to pay more Council Tax (in many cases, such people currently pay no Council Tax), the Council may need additional staffing resources in its Corporate Debt team.
12. Recovery risk: Notwithstanding the additional recovery resources, it is anticipated that a proportion of newly collectible Council Tax will prove to be more difficult to recover because of the inability to pay and in some cases will be irrecoverable.

13. Exceptional circumstances fund: It is inevitable that there will be a small number of households with unforeseeable exceptional circumstances and that the Council may wish to retain discretion to provide additional support to such people, similar to Discretionary Housing Payments. Details of how such a fund would operate need further work but the principle that an exceptional circumstances fund should exist is something that it would be useful to gain support for at this stage.

## Background Papers

14. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

DCLG publications on LCTS

Devon Benefits Officers Group documentation minutes

Options Appraisal Document

## Impact

Communication/Consultation	Proposals for the draft scheme have been drawn up in consultation with other Devon authorities and Torbay Members. The draft scheme will be subject to formal consultation as set out in this report.
Community Safety	No specific implications.
Equalities	A draft Equalities Impact Assessment will be available shortly.  The draft scheme spreads the changes as widely as possible among the affected working age group, reducing inequalities.
Health and Safety	No specific implications.
Human Rights/Legal Implications	Adoption of the new scheme is a statutory requirement. Failure to do so will lead to a default scheme being imposed by the Government.
Sustainability	The scheme needs to be designed to ensure, as far as possible, stability and sustainability in the Council's finances.
Ward Specific Impacts	No specific implications except to the extent that the number and proportion of households in receipt of CTB vary in Torquay, Paignton and Brixham.
Workforce	This is a major challenge requiring significant levels of staff time to ensure smooth implementation and effective handling of customer enquiries. There will be ongoing additional demands on the Revenues & Benefits service e.g. additional recovery work.



## Devon Wide Scheme

15. All local authorities in Devon are intending to adopt schemes that meet the following common principles:

- That all billing authorities will adopt a support scheme based largely on the existing Council Tax Benefit Regulations 2006. This will essentially be means tested
- As defined by Central Government, all pensioners will be protected under the national framework defined by DCLG
- Protection for vulnerable working age groups will be in line with the existing Council Tax Benefit system
- Each of the authorities' schemes will incentivise work wherever possible
- The schemes will be cost neutral, with the level of support being directly in line with the level of grant proposed by Central Government
- The schemes will, as far as possible, allow for expected growth in demand
- As far as possible, the new support scheme will be easy to claim and administer.

16. Devon Local Authority benefit managers have been meeting on a regular basis since January 2012 to design a Devon wide framework for the new scheme, reducing duplication of effort, sharing expertise, with mutual support for possible challenge and helping with strategic engagement with suppliers.

17. The over arching principle is a Devon scheme that is cost neutral, so the impact of the reduced funding from Central Government is passed onto the claimant. But due to the different demographics of individual billing authorities, it is unlikely that there will be a scheme that is uniform across Devon, however it is intended to have a common framework with local variations.

18. All Devon billing authorities expect to adopt the following items in their schemes:

- Design a cost neutral scheme that passes the cut in funding to working age claimants
- All pensioners will be protected from the changes
- The Local Support scheme will be "means tested" for 2013/14, using almost all of the principles of the current Council Tax Benefit scheme
- The current Second Adult Rebate for working age claimants will be withdrawn
- Limit support to a maximum percentage of liability with variations in different Devon authorities.
- The billing authority to make available a small sum to cover "exceptional hardship cases".
- The capital (cut off) limit will be reduced from £16,000.
- Restriction of support to a specific council tax banding with variations in different Devon authorities.

19. Devon County Council, Fire and Police have participated in this process and fully support the work that's been done. They have also indicated that provided schemes are cost neutral, they are unlikely to object to the scheme details.

### Torbay Scheme

20. A detailed analysis of over 35 methods of reducing support has been carried out, based upon the principles of fairness, ease of understanding and ease of administration, taking into account the demographic profile of current Council Tax Benefit claimants.
21. The Devon-wide principles (paragraph 15) and aspects (paragraph 18) will feature in the Torbay scheme. The most significant aspect is that a 75% cap is proposed, where the calculation will be based on 75% of the Council tax bill, rather than the current 100%.

The capital (cut off) limit will be £6,000 and a banding restriction, where the maximum amount of support will be restricted to the Band D charge.

22. Pensioners will be protected - protection means that the amount of council tax support under the new scheme will be no less than the amount of Council Tax Benefit currently paid. This does not necessarily mean that they will not have to pay more Council Tax, for example if the precepts are increased.
23. At Appendix A there are some examples to demonstrate the impact of the changes.

### Summary of Impacts

24. The following table summarises the estimated effects: it shows that pensioners are protected, as intended, but working age households will have their support reduced by an average of £4.49 per week or 29%.

Category	Number of Households	Total Council Tax Benefit Expenditure per annum	Average Weekly Council Tax Benefit (based current scheme)	Average weekly Council Tax Support (based on new scheme)
Pensioners that received CTB in 2011	9,469	£8.032m	£16.28	£16.28
Working age that received CTB in 2011	12,457	£7.820m	£15.67	£11.18
Total	21,926	£15.954m		

25. The figures are based on a forecasting utility provided by the Council's benefits software supplier. As the software is regularly updated it is possible that the above figures may vary slightly prior to scheme finalisation.

26. The following options have been considered at Torbay:

- Limitation to maximum liability in all cases to 90%, 80%, 75% and 70%
- Limitation to maximum liability on income related cases to 90% and 80%
- Limitation to maximum liability on non income related cases to 90% and 80%
- Withdrawal of Second Adult Rebate for working age cases
- Setting minimum levels of £0.50, £1.00, £2.00, £3.00, £4.00 & £5.00 per week
- Increases in non-dependent deductions, £5 and £10
- Changes to the taper, 21%, 22%, 25%, 30%, 35%, 45%
- Changes to disregards; categories of earned income, unearned income
- Changes to treatment of child benefit and child maintenance
- Changes to limits on capital/savings levels
- Freeze personal allowance and premiums at 2012 level
- Other minor adjustments.

Each proposal has been evaluated for the Torbay caseload and set aside either because of potential inequality issues or the level of savings generated or both.

### **Situation in other Devon authorities**

27. Draft schemes developed by Devon authorities will be approved during July 2012, before the consultation process begins in August 2012.

28. At the time of preparing this report officer representatives from all 10 billing authorities in Devon have affirmed their authority's intention to adopt the county wide principles i.e. a cost neutral scheme.

### **Consultation and Communication Plan**

29. Before final approval of local schemes, councils are required to consult:

- major precepting authorities (County, Police & Fire)
- the public
- relevant stakeholder groups e.g. CAB, representative groups.

30. The consultation process will commence on 6 August 2012. An eight week response period will be adopted to ensure responses can be considered before the final recommendations are presented to Full Council in December 2012.

31. The Council will write to all current working age CTB claimants, giving them an outline of the draft scheme. It is intended to send a letter in August to coincide with the consultation process and again in December, by which time final scheme proposals will enable a more accurate indication of the effect on each household. This will give fair notice to the households affected that from 2013 they will be required to pay more Council Tax and should budget accordingly
32. Meetings with Brixham parish council representatives will be held in order to explain the effect of Council Tax Support on the precept setting process.

### Consultation Outline Timetable

25 July 2012	Members to review the draft scheme in readiness for consultation
August to September 2012	Consultation process Letters to working age CTB claimants
6 December 2012	Full Council to approve final scheme Letters to existing CTB claimants
February to March 2013	2013/14 budgets and Council Tax set Council Tax bills issued

### Other considerations

The direct financial incentive of the new Council Tax Support scheme gives local authorities the opportunity to improve their local economies as part of a multi faceted reform of local government finance. New Homes Bonus and Localisation of Business Rates are the other key aspects.

Introducing this scheme is a key change but there are many other welfare reforms on the horizon, which will make it an extremely challenging couple of years for the Council and its residents.

There are a variety of technical changes to Council Tax which are currently being considered and which are likely to come into effect from April 2013. The key changes include giving billing authorities discretion on level of discounts given to second homes and empty homes.

## Risk Analysis

Risks	Likelihood	Impact	Mitigating actions
Failure to adopt a local scheme in time, which would lead to the Government imposing a default scheme	<b>1</b> (active project management in place)	<b>4</b> (an imposed default scheme would not be cost neutral and failure would be damage the Council's reputation)	Continue with active project management  Proactive resource planning  Ensure Member awareness of key issues and decisions required
The Torbay scheme is not supported by Police and Fire	<b>2</b> (Positive engagement with County and Fire has taken place and they are supportive of the work done to date).  (No significant engagement with Police yet).	<b>3</b> (Torbay is the decision making body but if the scheme is not supported then there could be consequences e.g. challenge, lack of support and budget cuts affecting Torbay)	Design a cost neutral scheme Consultation and engagement
Challenge on equality grounds	<b>2</b> (the proposals adversely affect certain groups)	<b>3</b> (defending a challenge could be costly and jeopardise timely adoption of the scheme)	Equalities Impact Assessment Stakeholder engagement
Local Council Tax Support costs increase because of additional demand or increases in Council Tax precepts	<b>3</b> (publicity could increase demand; economic difficulties could increase demand; precepts likely to increase in the future)	<b>2</b> (adverse financial implications for Torbay, Police & Fire)	Close monitoring Annual review of the scheme
Loss of revenue due to irrecovability of debt from low income households	<b>4</b> (bad debts are inevitable)	<b>2</b> (adverse financial implications for Torbay, Police & Fire)	Proactive communications with affected households  Invest in recovery resources; review procedures  Seek funding contributions from Police & Fire

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## Devon's Recommended Final Scheme to Members

All proposed final schemes are based on using the current Council Tax Benefit rules but with the changes identified below.

Name of Authority	Limit liability	Stopping Second Adult Rebate	Band restriction	Capital limit	Vulnerability / Hardship fund	Other options
East Devon District Council	80%	Yes	Band D	£8,000	Yes	N/A
Exeter City Council	80%	Yes	No restriction	£6,000	Yes	N/A
Mid Devon District Council	80%	Yes	Band D	£8,000	Yes	N/A
North Devon District Council	75%	Yes	Band D	£6,000	Yes	Increase earnings disregards
South Hams District Council						
Teignbridge District Council						
Torridge District Council	75%	Yes	Band D	£6,000	Yes	N/A
West Devon District Council						
<b>Unitary Authorities</b>						
Torbay Council	75%	Yes	Delayed until 2014	£6,000	Yes	N/A
Plymouth city Council	75%	Yes	Band E	£6,000	Yes	N/A