

**Cheltenham Borough Council
Council– 17 December 2012
Localisation of council tax support**

Accountable member	Councillor John Rawson, Cabinet Member Finance
Accountable officer	Mark Sheldon, Director of Resources
Accountable scrutiny committee	Overview and Scrutiny Committee
Ward(s) affected	All
Significant Decision	Yes
Executive summary	To feed back the results of the public consultation on the proposal to keep the 2013/14 council tax support scheme for working age customers similar to the current council tax benefit scheme and to agree a localised council tax support scheme from 1 st April 2013.
Recommendations	<ul style="list-style-type: none"> a) That Council adopt the Department for Communities and Local Government (DCLG) default scheme as the Council's Local Council Tax support scheme for working age customers in 2013/14. b) That Council disregard in full war widows and war disablement pensions in their local council tax support scheme for working and pension age customers as currently happens for housing and council tax benefit. c) That work commences on developing a robust council tax support scheme for working age customers, to take effect from April 2014, which reduces the council tax support costs, protects vulnerable people as far as possible and keeps work incentives.

Financial implications	<p>If the Council adopt the DCLG default scheme, then the cost to the Council in 2013/14 will be approximately £90,000 and the cost to the County Council and the Police Authority will be £522,000 and £96,000 respectively.</p> <p>The Government have recently announced that a one-off transitional grant is being made available for 2013/14 to support councils with well designed schemes. Initial indications seem to suggest that if the Council adopts the DCLG default scheme, then it will qualify for this funding, provided it makes an application within 14 days of 31st January 2013. If awarded this would reduce the Council's share of the costs down to £68,020, the County Council's share to £396,587 and the Police to £73,035.</p> <p>The cost of also disregarding war widows and war pensions as a local variation to the default scheme will cost an additional £8,000 for 2013/14 which may be shared between the District, County and Police depending on the final regulations.</p> <p>The Council will need to find other budget savings to meet these costs or consider using other council tax reforms introduced in the Finance Act relating to empty properties. A separate report will be presented to the Cabinet on this option.</p> <p>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>Cheltenham Borough Council must approve its local council tax support scheme at full council by 31st January 2013.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>None arising from this report</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>There is a risk that council tax support take-up could increase during 2013/14, which will increase the projected costs that need to be found.</p>
Corporate and community plan Implications	<p>None</p>
Environmental and climate change implications	<p>None</p>

1. Background

- 1.1** In the 2010 Spending Review, the Government announced it would localise support for council tax from 2013/14 and reduce expenditure. This reform is part of a wider policy of decentralisation, aimed at giving councils increased financial autonomy and a greater stake in the economic future of their local area.
- 1.2** This means that from 1st April 2013, council tax benefit will no longer exist and in its place must be a scheme designed by the Council that gives support for council tax. Funding for this scheme will be at least 10% less than is currently received.
- 1.3** The Welfare Reform Act 2012 contains provisions for the abolition of council tax benefit paving the way for new localised schemes. The Local Government Finance Act 2012 imposes a duty on local authorities to design a localised council tax reduction scheme by 31 January 2013 and to consult about the scheme with major precepting authorities and such other persons as it considers likely to have an interest. Failure to do so will result in the DCLG imposing a default scheme, which is the same as the current council tax benefit scheme.
- 1.4** This Local Government Finance Act also contains a requirement to protect vulnerable pensioners, who will continue to receive the same levels of support under any localised scheme as they currently receive from council tax benefit.
- 1.5** The Prescribed Requirement Regulations came into force on 27th November 2012 and the Default Scheme Regulations for working age customers were laid before Parliament on 22nd November 2012 and will come into force on 18th December 2012.
- 1.6** On 17th July 2012 the Cabinet approved in principle that existing working age council tax benefit claimants will not be affected by the introduction of a local support scheme for 2013/14 and resolved to carry out a full public consultation on that basis as set out in the report.

2. Council Tax Benefit

- 2.1** The Council currently pays approximately £7.1 million in council tax benefit each year and receives the same in benefit subsidy from the Government. A 10% reduction in funding will mean having to design a local scheme that reduces support for council tax by £710,000.
- 2.2** The protections in place for eligible pensioners will mean that a higher cut will have to be borne by working age claimants. In Cheltenham eligible pensioners make up 40% of the total caseload
- 2.3** Of the working age claimants in Cheltenham, about 68% receive other benefits and allowances from the DWP and so automatically qualify for council tax benefit. These claims are referred to as 'passported' claims and very little data is held by the Council for these people in order to assess their eligibility for support from a local scheme.
- 2.4** The new scheme for working age claimants is also expected (but this is not compulsory) to protect the vulnerable (not defined by the Government) and not to disproportionately disadvantage those in work.
- 2.5** Based on the Finance Act timetable the data sharing procedures etc will not be available until the end of February 2013, making it difficult to develop a sustainable localised scheme for 2013/14.
- 2.6** In addition to this, universal credits are due to go live in October 2013 and at this stage we are unable to predict the impact of these changes on the council tax support customer base.

3. Local council tax support scheme and war pensions

- 3.1 Under the old council tax benefit regulations and the new prescribed/ default local council tax support schemes the first £10.00 of any war widows/widower's or war disablement pension is disregarded when working out a claimant's entitlement.
- 3.2 Cheltenham, along with most other councils, disregarded in full the remaining part of these types of income under a local scheme in council tax benefit and housing benefit. In return the Government reimbursed 75% of the cost of this local scheme.
- 3.3 The local scheme on the housing benefit side will continue under the existing powers.
- 3.4 In Cheltenham we have 13 pension age customers (£6,200) and 3 working age customers (£1,800) who currently fall under our local scheme for council tax benefit.
- 3.5 It is recommended that council disregard in full war widows/widower's or war disablement pensions as part of the local Council Tax support scheme for working age and pension age customers.

4. Impact of the Reduction in Funding

- 4.1 The table below shows that the cost of Cheltenham choosing the default scheme would be around £90,000 in 2013/14. The County and Police share would be around £618,000 with their countywide costs being £3.273m.

10% Reduction in Funding for Gloucestershire

	CBC	CDC	FoDDC	GCC	SDC	TBC	Total
Precepting body	£'000	£'000	£'000	£'000	£'000	£'000	£'000
County Council	522	355	433	647	481	327	2,765
Police Authority	96	65	79	119	88	60	507
District	90	47	63	107	82	30	419
Parishes	0	17	21	0	26	13	77
Total	708	484	596	873	678	430	3,768

- 4.2 The Government have recently announced that £100m is being made available for 2013/14 as a one-off transitional grant to support councils that have designed schemes which limit the reduction in support to less than 8.5%.
- 4.3 Initial indications seem to suggest that if we adopt the DCLG default scheme for 2013/14, then the Council will qualify for this funding, provided it makes an application within fourteen days of 31st January 2013. If awarded this would reduce the Council's share of the costs to £68,020, the County Council's share to £396,587 and the Police share to £73,035.
- 4.4 The cost of also disregarding war widows and war pensions as a local variation to the default scheme for working age customers and the prescribed scheme for pension age customers would be an additional £8,000 for 2013/14.
- 4.5 This would be a shared cost between Cheltenham, County and Police for working age customers and may also be a shared cost for pension age customers subject to clarification of the final regulations.

5. Reasons for recommendations

- 5.1 Details regarding welfare reform are still emerging and the picture continues to change and develop. The rules surrounding data sharing will not be finalised until February 2013.
- 5.2 Universal credits are due to go live in October 2013 and at this stage we are unable to predict the impact of these changes on the council tax support customer base.
- 5.3 The Government have announced a one off £100m transitional grant on the condition that local authorities cap any increased liability for council tax benefit customers to less than 8.5% for 2013/14. This means our shortfall, if we adopt the default scheme, is reduced to £68,000.
- 5.4 By delaying the adoption of a true local support scheme until 2014/15, we have twelve months to come up with a scheme which takes into account all the welfare benefit changes, public opinion, amount of savings we need to make long term, develop/test new software and understand the impact on collection levels of councils who didn't adopt the default scheme in 2013/14.

6. Alternative options considered

- 6.1 Alternative options were considered at the 17th July 2012 meeting and it was agreed only to consult on keeping the 2013/14 council tax support scheme for working age customers similar to the current council tax benefit scheme.
- 6.2 If an alternative option was considered we would not have time to do a public consultation within the deadline of 31st January 2013 and therefore the default scheme would be imposed on the Council by the DCLG.

7. Consultation and feedback

- 7.1 Based on the Cabinet decision on 17th July 2012, the Council embarked on a consultation exercise in collaboration with the other five local authorities in Gloucestershire, the County Council and Police during the period 10th August to 5th October 2012.
- 7.2 The consultation included a telephone survey, a publicised online web survey and a paper based survey (where requested). The full telephone survey results and a summary of the online web survey can be found in the background papers.
- 7.3 The consultation asked the key question of whether the Council should adopt the current council tax benefit scheme (DCLG default scheme) as its local council tax support scheme for 2013/14. The exercise was also used to start to gauge opinion on potential changes that could form part of the revised local scheme from April 2014.
- 7.4 In response to the key question, 69% of the telephone responses and 64% of the online web responses strongly agreed/agreed that the local council tax support scheme for 2013/14 should be broadly the same as the current council tax benefit scheme and the funding shortfall should be found from other sources.

8. Performance management –monitoring and review

- 8.1 The benefits service will monitor additional expenditure against budget and any increased take-up of council tax support and any significant changes will be reported to cabinet.

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Appendices	1. Risk Assessment
Background information	<ul style="list-style-type: none"> • Link to telephone survey • Link to Online survey • Link to DCLG default scheme for working age customers • Link to DCLG prescribed scheme for pension age customers

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	Financial risk if take up of council tax support significantly increases during 2013/14	Mark Sheldon		4	2	6	Accept	Monitor throughout year as part of the ongoing controls			
	Potential reputation risk if war pensions is not disregarded under the local council tax support scheme	Council		3	2	6	Accept	Council takes this risk into account when making the decision			

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6
 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close