



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/12/22
MEETING	DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY
DATE OF MEETING	30 JULY 2012
SUBJECT OF REPORT	COUNCIL TAX REDUCTION DRAFT SCHEMES – CONSULTATION WITH MAJOR PRECEPTING AUTHORITIES
	Treasurer to the Authority
RECOMMENDATIONS	<p><i>(a) That the Authority notes the content of the two separate consultation documents relating to Council Tax Reduction Scheme Design received from Somerset District Councils and Devon Billing Authorities and indicates that at this stage the Authority has no significant issues.</i></p> <p><i>(b) That, for the final scheme designs expected to be issued in October 2012, the Treasurer be authorised to respond on behalf of the Authority following e-mail consultation with the Members.</i></p>
EXECUTIVE SUMMARY	<p>The Government is replacing the existing Council Tax benefits scheme with a local Council Tax Reduction Scheme. Currently billing authorities (i.e. the district councils) act as agents for the Department of Work and Pensions (DWP) in administering housing and council tax benefits. The current scheme is not capped nor cash limited.</p> <p>As from 1 April 2013 billing authorities in consultation with the major precepting authorities are expected to design a local Council Tax Reduction scheme which will deal with both eligibility and the basis on which any support is to be calculated. If a local scheme cannot be agreed the default scheme will be put in place which will effectively be the current scheme but without the current level of funding.</p> <p>Included as Appendix A is a report from the Joint Somerset District Authorities which sets out a common set of principles to be adopted to the Council Tax Reduction Scheme in Somerset, and Appendix B a request to consider the set of proposals to be adopted to the Devon scheme. Each of these documents seeks the views of all major precepting authorities before it goes out to public consultation next month.</p>

RESOURCE IMPLICATIONS	The Scheme Design is being constructed on the basis of being cost neutral, however as is highlighted in the report it is not possible to guarantee this to be the case in the future as factors beyond our control e.g. higher than anticipated take up of the scheme, will impact on the amount of precept.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	The Somerset Equalities Officers Group (SEOG) has been assisting with advice going through the process. A full Equality Analysis is being undertaken, with each option being appraised for its effect on various groups. This work will continue through the consultation process and SEOG will be working with affected groups to ensure that their views are sought in the final scheme design.
APPENDICES	<p>A. Report to Major Precepting Authorities on the Council Tax Reduction Schemes in Somerset.</p> <p>B. A request on behalf of the Devon County Benefit Group for the Devon Scheme to be considered.</p>
LIST OF BACKGROUND PAPERS	

1. BACKGROUND AND PROPOSALS

- 1.1 The Government is replacing the existing Council Tax benefits scheme with a local Council Tax Reduction Scheme. Currently billing authorities (i.e. the district councils) act as agents for the Department of Work and Pensions (DWP) in administering housing and council tax benefits. The current scheme is not capped nor cash limited. As from 1 April 2013 billing authorities in consultation with the major precepting authorities are expected to design a local Council Tax Reduction scheme which will deal with both eligibility and the basis on which any support is to be calculated. If a local scheme cannot be agreed the default scheme will be put in place which will effectively be the current scheme but without the current level of funding. The financial impact of reverting to the default scheme would be a loss of precept funding to this Authority of approximately £0.650m per annum.
- 1.2 Each billing authority will continue to assess claims resulting in a discount being applied to a claimant's council tax bill. The components of the proposed scheme outlined in this report will reduce or increase the support each claimant will receive.
- 1.3 Grant aid for the scheme will be distributed through Revenue Support Grant to each of the major precepting authorities. Billing authorities will amend the tax base for 2013/14 and beyond to introduce a "discount" that will reduce the overall tax base. This may result in a budget shortfall for precepting authorities. There are other risks that will need to be factored in such as the impact on the arrears rate and also fluctuation in take up and entitlement. It is unlikely that the tax base will accurately reflect this fully at least in the first year which will mean that fluctuations will impact on the collection fund through surpluses and deficits.
- 1.4 The government has protected pensioners from the effects of any changes in the scheme. The grant for the scheme will also cover at best 90% of the cost. This means that if the scheme is to be cost neutral within the grant allocated the savings that need to be shared amongst the other claimants will be more than the 10% reduction in grant. The Government has given further guidelines regarding vulnerable groups and also an aspiration to ensure that there are incentives built into the scheme to encourage claimants into employment.
- 1.5 In both counties of Devon and Somerset all of the billing authorities within each county have come together to adopt a joint approach in the design of the new scheme under a set of common principles.
- 1.6 As a major precepting authority Devon and Somerset FRA will be impacted by the changes, and as such it is being asked to make any representations on the proposed Council Tax Reduction Schemes for both counties.
- 1.7 Appendix A provides a report from the Joint Somerset District Councils which sets out the common set of principles to be adopted in the Somerset scheme, and Appendix B provides a request on behalf of the Devon County Benefit Group (all Devon billing authorities) for the Authority to consider a common set of principles to be adopted to the Devon scheme.
- 1.8 The government timetable for the introduction of the new scheme is extremely tight and any views from this Authority need to be made by 3rd August 2012.

- 1.9 Following public consultation during the summer the Authority will again be consulted on the final scheme design for both counties, expected to be in October 2012. Given that the next scheduled Fire Authority meeting is not until November 2012 it is proposed that the Treasurer be authorised to respond on behalf of the Authority to consultation on the final schemes, following consultation (electronically) with Members.
- 1.10 It is welcomed that in both counties the billing authorities have worked together on this difficult issue which has resulted in two consultation documents, rather than several.
- 1.11 At this stage it is recommended that Authority notes the content of each scheme design and indicates that it has no significant issues with the proposals.

KEVIN WOODWARD
Treasurer to the Authority



Report to Major Precepting Authorities on the Council Tax Reduction Schemes in Somerset

Purpose of Report

To seek the views of the major precepting authorities Somerset County Council, Avon and Somerset Police Authority, and Devon and Somerset Fire and Rescue Authority on the Council Tax Reduction Schemes for the Somerset Districts (South Somerset District Council, Mendip District Council, West Somerset District Council, Taunton Deane Borough Council, and Sedgemoor District Council)

Recommendations

That the Devon and Somerset Fire and Rescue Authority consider the principles and components of the Council Tax Reduction Schemes proposed by the Somerset District Authorities and make any representations that they wish to be considered by the district authorities before the planned public consultation takes place.

Background

The Government is replacing the existing Council Tax benefits scheme with a local Council Tax Reduction Scheme. Currently billing authorities (i.e. the district councils) act as agents for the Department of Work and Pensions (DWP) in administering housing and council tax benefits. The current scheme is not capped nor cash limited. As from the 1st April 2013 billing authorities in consultation with the major precepting authorities are expected to design a local Council Tax Reduction scheme which will deal with both eligibility and the basis on which any support is to be calculated. If a local scheme cannot be agreed the default scheme will be put in place which will effectively be the current scheme but without the current level of funding.

Each billing authority will continue to assess claims resulting in a discount being applied to a claimant's council tax bill. The components of the proposed scheme outlined in this report will reduce or increase the support each claimant will receive.

Grant aid for the scheme will be distributed through Revenue Support Grant to each of the major precepting authorities. Billing authorities will amend the tax base for 2013/14 and beyond to introduce a "discount" that will reduce the overall tax base. This may result in a budget shortfall for precepting authorities. There are other risks that will need to be factored in such as the impact on the arrears rate and also fluctuation in take up and entitlement. It is unlikely that the tax base will accurately reflect this fully at least in the first year which will mean that fluctuations will impact on the collection fund through surpluses and deficits.

The government has protected pensioners from the effects of any changes in the scheme. The grant for the scheme will also cover at best 90% of the cost. This means that if the scheme is to be cost neutral within the grant allocated the savings that need to be shared amongst the other claimants is approximately 25% across Somerset. The Government has given further guidelines regarding vulnerable groups and also an aspiration to ensure that there are incentives built into the scheme to encourage claimants into employment.

Consultation to Date

In our consultation with your officers to date the overwhelming requirement has been that any scheme design should not impact on your budget. This would mean that we should aim for the passported grant to cover the reduction in tax base to ensure that this does not result in a budget deficit. However, even with this aim, we cannot guarantee that there will not be a budget deficit if factors beyond our control such as higher than anticipated take up of the new discount scheme come into play.

Representation

We will have made this report available to your officers by the 20th July 2012 to enable them to start to consider any representations you may wish to make. Any representations you make can be considered until the 3rd August 2012. Responses will be made to you by 9th August. The Somerset authorities will then commence the public consultation period from the 9th August until the 5th October 2012.

Components of the Scheme

The Somerset Districts have been working together on some common scheme principles. Annex A shows a quick summary of the components being considered by each authority.

A consultation questionnaire will be available to residents online as well as a paper version. We will also be working with our Equalities Officers to ensure that we collect the views of all groups.

The design of the scheme in the main follows the following seven key principles:

1. Everyone should contribute something towards council tax to help pay for services provided by each Somerset district council, Somerset County Council, Avon and Somerset Police Authority and Devon and Somerset Fire and Rescue Authority)
 - a. This could be achieved by limiting the maximum support a person can receive from 100% to a lower level e.g. 90% or 80% e.g. this means that support may only be received for £900 of a £1,000 council tax bill and a household would have to pay a contribution in this case £100.
 - b. This could be a cap on support at a Band C property.
2. More income should be taken into account in the calculation of Council Tax Reduction support

This could include:

- a. - child benefit
- b. - maintenance for a child paid by a former partner
- c. - rent from sub-tenants and boarders

This could exclude:

- d. - disability living allowance,

3. Greater account should be taken of the collective income of a household
 - a. This means non-dependant adults living in a property could contribute more to Council Tax by increasing the level of non-dependant deduction
 - b. This could mean abolishing Second Adult Rebate. Currently up to 25% reduction on Council Tax is awarded where a second adult in a property has a low income, regardless of how much income and capital the householder has.
4. It should compliment the aims of the new Universal Credit by providing work incentives to encourage people into work, or to increase their hours:-
 - a. The scheme could retain current benefits support for the first four weeks after starting a job (only currently if off work for 26 weeks and receiving passported benefits);
 - b. The amount of money a person can earn before it reduces the level of Council Tax Reduction support could be increased; current levels are
 - i. Single person £5 a week;
 - ii. Couple £10 a week;
 - iii. Lone Parent £25 a week;
 - iv. Disabled person £20 a week.
5. It should provide protection for the vulnerable:
 - a. This could mean continuing to ignore some disability benefits income;
 - b. This could mean continuing to ignore war widows and war disability income;
 - c. This could be by creating a hardship fund, paid for by Council Tax payers, to protect the most vulnerable.
6. The scheme should not create a disincentive to saving for the future, nor penalise those who have already saved.
7. Reductions in the current level of support should be proportionate and remove unfairness in the current Council Tax Benefit Scheme.

Timetable

The timetable we must follow to be successful in approving our schemes is as follows:

Scheme principles agreed	Jul-12
Consultation with precepting authorities	Jul-12
Consideration of representations from major precepting authorities	Aug 12
Public consultation	Aug/Sept/Oct 2012
Review of consultation Responses	Oct-12
Revised scheme completed	Oct-12
Review with precepting authorities	Oct-12
Regulations for scheme produced	Nov-12
Scheme approved through each authority Council meeting	Dec-12
Tax base set for 2013/14	Dec-12
Benefit recipients informed of changes	Jan-13
Budget for 2013/14 set	Feb-13
Council Tax bills produced	Mar-13

The timetable is extremely tight (close to being unrealistically so) if we are to meet the requirements for each authority to set its budget. Our aim is to review with you as major preceptors our final scheme designs in October 2012. This may need to be relatively informal for us to meet the deadlines outlined above so you need to consider now what processes you will need internally to deal with this to meet any constitutional or governance requirements but just as importantly if you want any further representations to be taken into account. If we fail to design a scheme the default will be the current scheme. As you will be aware the consequence will be that all of the major precepting authorities will be required to cover the shortfall in funding as well as transitional arrangements the Government have put in place for future changes means that any savings from a 2014/15 scheme could not be fully implemented until 2015/16.

Risks

The major precepting authorities challenge the design of the "Council Tax Reduction Schemes" leading to a judicial review – this will mean the current scheme along with its costs but not the grant will prevail.

The elected members of our respective authorities may decide to absorb the funding cut, which would expose your organisation to additional budget pressures.

Public consultation shows that the scheme design is unacceptable – we may be able to implement some of the scheme design but a shortfall in grant will impact on budgets.

There could be a challenge from stakeholders regarding the scheme or consultation process – this may mean that we have to return to the default scheme. However consultation and equalities issues have been well thought through.

There could be greater entitlement to the scheme because of a continued deterioration in the economy of Somerset or that there is greater take up by the protected pensioner group or others, who would currently qualify for support but who so far have, for whatever reason, not applied – there has been some room for growth built into the estimates however this remains a continued risk.

The grant cut is greater than 10% - again there is some room for growth within the scheme but this continues to be a risk. As the grant will be funded through Revenue Support Grant it remains a risk that it will be cut year on year.

The costs of the scheme will increase as precepts increase – it is unlikely that the Government grant will. This means the precepting authorities will need to work closely in future in setting precepts to enable us to measure the impact on the scheme.

There is a risk that collection costs will increase as the Districts are billing residents that in some cases have never paid council tax – each District will need to review resources to check that they are adequate.

The arrears rate is likely to increase for each billing authority. This will need to be reviewed for the final scheme design but will affect all major precepting authorities.

If we fail to implement a scheme this year transitional arrangements will prevail which will mean that savings will not be realised if a scheme is introduced for 2014/15 until 2015/16.

At present although there is some room for growth we have not been able to factor in any increases in your precepts. Any increases in council tax will increase the cost of the scheme.

Financial Implications

Across the Somerset authorities the expected reduction in grant including some growth in take up is £4.2 million. The scheme design if implemented is expected to save £4.6 million. However, the authorities must have regard to the results of the public consultation in deciding upon the final design of the scheme that would be implemented. It also needs noting that three of the Somerset Districts have assessed a need but not their financial requirements for a Hardship Fund.

Equalities Impact

The Somerset Equalities Officers Group (SEOG) has been assisting with advice as we have been going through the process. A full Equality Analysis is being undertaken, with each option being appraised for its effect on various groups. This work will continue through the consultation process and SEOG will be working with affected groups to ensure that their views are sought in the final scheme design.

Somerset Districts - Options to be included for consultation Annex A

Proposals	Mendip District Council	Sedgemoor District Council	South Somerset District Council	Taunton Deane Borough Council	West Somerset District Council
Maximum support that can be awarded	80%	80%	75%-80%	75%-80%	70%
Include income from child maintenance	Yes	Yes	Yes	Yes	Yes
Increase in non-dependant deductions	Yes	Yes	Yes	Yes	Yes
Abolish second adult rebate	Yes	No	Yes	Yes	Yes
Increase earned income disregard	Yes	No	Yes	Yes	Yes
Create a discretionary hardship fund	Yes	Yes	Yes	Yes	Yes
Include income from child benefit within the means test	No	No	Yes	No	Yes
Limit support to a Band C council tax	No	Yes	No	No	No
Minimum weekly award of £1	No	Yes	No	No	No
Include income from sub-tenants and boarders within the means test	Yes	No	Yes	No	Yes

DEVON COUNTY BENEFIT GROUP – LOCALISED SUPPORT FOR COUNCIL TAX
Consideration of the scheme by Major Preceptors

Schedule 1A of the Local Government Finance Act 1992 states that a (Billing) authority must consult any major precepting authority which has power to issue a precept to it.

In accordance with the above legislation, the Devon Billing Authorities request that all major precepting authorities within the County formally consider the framework currently being prepared.

As the precepting authorities will be aware, the principles of the Localised Support for Council Tax framework agreed by the group are as follows;

- a. 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;
- b. As defined by Central Government, all pensioners will be protected under the national framework defined by the Department of Communities and Local Government (DCLG);
- c. Protection for vulnerable working age groups will be in line with the existing Council Tax Benefit system with specific protection given to families and to persons with disabilities;
- d. Each of the authorities' schemes will incentivise work wherever possible;
- e. The schemes will be cost – neutral, with the level of support being directly in line with the level of grant proposed by Central Government (a reduction of 10% of subsidised payment);
- f. The schemes will, as far as possible, also allow for expected growth in demand; and
- g. Where possible each authority will look to reduce the complex nature of the current benefit system and as far as possible make support easy to claim and administer.

In order to provide the level of savings required, each authority will consider options to reduce the current expenditure in such a way as to minimise the overall impact on claimants where possible and to ensure that all requirements under the equalities legislation are met in full. It will ultimately be for each Billing Authority to decide how this will be achieved.

The final scheme design for each authority will be notified to the major precepting authorities once public consultation has been completed and any responses made accordingly.