



SHEFFIELD CITY COUNCIL Report to Council

Report of: Laraine Manley – Executive Director of Resources

Date: 23rd January 2013

Subject: Implementing the Government's Council Tax Benefit Changes

Author of Report: Jon West

Summary:

From April 2013, the government will abolish Council Tax Benefit (CTB) and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).

Cabinet recommended that Council should approve the CTS scheme presented to Members on 17th October 2012. The proposed scheme, for working age taxpayers, 'capped' CTS at 80% of council tax liability. However, the report acknowledged that given the uncertainty around the local government financial settlement, the maximum level of support under the scheme for these taxpayers may need to be capped at a different rate.

Since that time, the government has published details of the financial settlement prompting a review of the Council's CTS scheme.

Following this review, and the objective of implementing a scheme that reflects the reduction in government funding, it is proposed that for 2013-14, CTS is capped at 77% for working age taxpayers.

Recommendations:

That Council approve the Council's Council Tax Support scheme as set out in Appendix D to this report, to come into force on 1st April 2013.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial implications
YES Cleared By Eugene Walker
Legal implications
YES Cleared by Brendan Twomey
Equality of Opportunity implications
YES Cleared by Adele Robinson
Tackling Health Inequalities implications
NO
Human rights implications
NO
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
ALL
Relevant Scrutiny Committee if decision called in
NOT APPLICABLE
Is the item a matter which is reserved for approval by the City Council?
YES
Press release
NO

REPORT TO COUNCIL

IMPLEMENTING THE GOVERNMENT'S COUNCIL TAX BENEFIT CHANGES

1 BACKGROUND

- 1.1 From April 2013, the government will abolish Council Tax Benefit (CTB) and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).
- 1.2 Cabinet recommended that the Council should approve the CTS scheme presented to Members on 17th October 2012 (see report attached at Appendix A). The proposed scheme, for working age taxpayers and some non-protected pensioners, capped CTS at 80% of Council tax liability. However, the report acknowledged that given the uncertainty around the local government financial settlement, the maximum level of support under the scheme for these taxpayers may need to be 'capped' at a different rate.
- 1.3 Since that time, the government has published details of the financial settlement prompting a review of the Council's CTS scheme.
- 1.4 Following this review, based on the figures in the table in Appendix B, the objective of implementing a scheme that reflects the reduction in government funding, and taking into account Members' wish to operate a 'hardship fund' for people in severe financial hardship, the cap needs to be set at 77% for 2013-14.
- 1.5 By way of example, a 77% cap means that a family living in a Band A property will have to pay at least £4.32 per week (£225 per year) towards their Council Tax and a single person at least £3.24 per week (£169 per year). Some further examples of the impact on taxpayers are given at Appendix C.
- 1.6 For the avoidance of doubt, the cap does not apply to pensioners who the government requires to be protected.
- 1.7 Furthermore, on October 15th, the government announced plans for a transitional grant scheme to support councils in making the transition from CTB to CTS. For Sheffield, this would mean a one-off grant of about £1.1m for 2013-14.
- 1.8 However, in order to meet the government's conditions to qualify for this grant, the Council would have to significantly revise its scheme at a cost of over £2.5m for 2013-14.
- 1.9 Also, as the transitional grant is fixed for one year only, redesigning the proposed CTS scheme in order to qualify, does not present the Council with a scheme which is sustainable for future years.

- 1.10 Consequently, this option has not been recommended. Instead, a 'hardship fund' is proposed as a more effective use of Council funds to support claimants through the transition from CTB to CTS.
- 1.11 The Council recognises that collecting the extra £5.5m in Council Tax from those taxpayers in receipt of CTS will be challenging and will reduce the overall collection rate. Consequently the provision of the hardship fund will support those taxpayers and aid the rate of collection.
- 1.12 However, the current recovery policy of taking robust action against the 'won't pays' while supporting the 'can't pays' will be maintained.
- 1.13 The draft scheme considered by Cabinet has been revised, to accommodate the 77% cap in respect of working age clients and to properly refer to the default CTS scheme as described below. The proposed scheme is set out in Appendix D to this note.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no further financial implications to add to those already detailed in the report to Cabinet (Appendix A).

3 LEGAL IMPLICATIONS

- 3.1 The Council's proposed scheme, with some changes (including the 77% cap), is intended to mirror the CTB regulations. On 18th December 2012, the government introduced a set of Default Scheme Regulations which mirror the CTB regulations. Upon consideration of the Default Scheme Regulations, it is considered that the default CTS scheme, with amendments, makes for a clearer, more certain scheme, while achieving the same policy objectives required by Members. It is therefore proposed that the Council's CTS scheme incorporates the default CTS scheme, amended to accommodate the Council's policy aims (see Appendix D).
- 3.2 There are no further legal implications to add to those already detailed in the report to Cabinet (Appendix A).

4 ENVIRONMENTAL IMPLICATIONS

- 4.1 There are no further environmental implications to add to those already detailed in the report to Cabinet (Appendix A).

5 EQUALITY OF OPPORTUNITY IMPLICATIONS

- 5.1 There are no further equality of opportunity implications to add to those already detailed in the report to Cabinet (Appendix A) and Equality Impact Assessment (Appendix E).

6 REASONS FOR RECOMMENDATION

- 6.1 The announcement of the financial settlement in December 2012 has confirmed that, in real terms, the shortfall in government funding for CTS in 2013/14 is higher than originally anticipated.
- 6.2 The overall message from the assessment of the Council's medium term financial position is that services are facing significant reductions in 2013/14 and beyond. If the reductions in funding for CTS are not achieved through the design of the scheme itself, then this will add to the forecast budget gap and will require even larger reductions in service provision and/or increases in other charges to customers. Hence the recommendation that the 'cap' in respect of working age taxpayers is set at 77%.
- 6.3 Adopting the scheme as proposed in this report will ensure that the Council meets its statutory obligation to provide a local scheme for Council Tax Support.

7 RECOMMENDATIONS

- 7.1 That Council approve the Council's Council Tax Support scheme as set out in Appendix D to this report, to come into force on 1st April 2013.

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