

Hampshire Fire and Rescue Authority

19 September 2012

Item

Council Tax Support Schemes – Response to Consultation

Report by the Chief Officer and Treasurer

Contact: Rob Carr, Treasurer Telephone:01962 847508

1 Summary

- 1.1 The Government has previously announced its intention to replace the existing Council Tax Benefit scheme with local schemes from 1 April 2013. As part of this change, Billing Authorities (District and Unitary Councils) are required to consult with Major Preceptors (Hampshire County Council, Hampshire Fire and Rescue Authority and Hampshire Police Authority) on their proposals for their new schemes prior to undertaking wider consultation with other stakeholders.
- 1.2 The purpose of this paper is to set out the Authority's initial response to consultation on the development of local Council Tax Support Schemes by Billing Authorities within Hampshire and the Isle of Wight.

2 Recommendations

- 2.1 The Authority approves the response to Billing Authorities attached at Appendix 2.
- 2.2 The Authority notes the potential financial impact on the Authority as outlined in section 5.

3 General context

- 3.1 The Government had previously announced its intention to localise council tax benefits from 1 April 2013 by getting billing authorities to introduce their own schemes.
- 3.2 The Government consulted on changes to the current scheme last year and initial indications were that the proposed 10% reduction in national funding for the new local schemes would fall on billing authorities as the implementers and administrators of those schemes.
- 3.3 Despite the fact that the consultation contained no proposals or questions for sharing this burden with major preceptors (County Councils, Police and Fire Authorities) the Government's response to the consultation meant that the loss of funding would in effect be shared by all authorities in proportion to the value of council tax income they receive.

- 3.4 This puts major preceptors in the position of having to pick up the financial consequences of new local schemes over which they have no control, which for the Fire Authority could be as much as £0.5M. In designing the new schemes, District and Unitary Councils must consult with major preceptors, but we have no right of veto and final scheme design is still down to the billing authorities to approve.
- 3.5 In liaising with the Chief Financial Officers across Hampshire, the Treasurer has made it clear that the Authority expects Billing Authorities to try to limit the financial impact of the changes on Major Preceptors, and this point was further re-iterated in a pre-consultation response sent to Billing Authorities in June, which is attached at Appendix 1 for information.

4 Consultation on Scheme Design

- 4.1 The legislation requires Billing Authorities to consult with Major Preceptors on their scheme design, prior to undertaking wider consultation with other stakeholders. However, given the number of different variables, local factors and other considerations, it is not practical for Major Preceptors to provide detailed feedback on every scheme introduced within Hampshire.
- 4.2 It was therefore agreed that each Billing Authority would complete a 'pro-forma' return to the Major Preceptors during August setting out :-
- Key features of the scheme design
 - Any changes to second homes or empty property discounts and their financial impact
 - The impact of the scheme on council tax collection rates and the level of take up of council tax support
 - The estimated financial impact of the scheme and other financial considerations
 - Timetable for wider stakeholder consultation
- 4.3 This information would enable Major Preceptors to consider the implications of the schemes across Hampshire and provide a single response back to Billing Authorities, picking up on any specific local issues where necessary.
- 4.4 The response from HFRA is attached at Appendix 2 and the Authority is requested to formally approve the response in order for Billing Authorities to be able to start wider stakeholder consultation over the Autumn.

5 Financial Implications

- 5.1 The reduction in Government funding for the Hampshire and Isle of Wight area equates to around £11.2M based on 2011/12 figures. The proportion of this that would be lost by Major Preceptors is as follows :-

Hampshire Fire and Rescue Authority	£0.5M
Hampshire Police Authority	£1.1M

- 5.2 Whilst the majority of Authorities are designing schemes or making changes to other discounts that will mitigate this loss, there still remains a risk that final scheme design will change following stakeholder engagement and the political decision making process.
- 5.3 There are also further risks centred around the potential reduction in council tax collection rates and increased take up of support from eligible claimants under the new system and therefore these financial risks have been reflected in the Medium Term Financial Strategy that was presented to the Authority in the Summer and will be updated as part of the budget setting process for 2013/14.

6 Supporting our corporate aims and objectives

- 6.1 The changes to the Council Tax Benefit system have a mainly financial impact on the authority and therefore may impact on the resources available to deliver our corporate aims and objectives.

7 Risk analysis

- 7.1 There are two key risks to the Authority as a result of these changes, both of which are financial.
- The potential loss of funding as a result of the introduction of the new local arrangements if schemes are not designed in such a way as to mitigate the financial loss
 - The potential for future 'in year' losses of funding if council tax collection levels are reduced or take up of the new schemes is greater than anticipated due to the increased publicity around the changes to Council Tax Benefit.
- 7.2 The first risk is outside of the control of the Authority, since it is ultimately Billing Authorities that decide on final scheme design, however as part of this consultation response, the Authority has re-iterated once again that it expects Billing Authorities to try to mitigate the loss of funding through scheme design or through other changes to existing discounts.
- 7.3 In year losses will in effect be consequential to the implementation of the new schemes and there is no way at present that these can be predicted with any certainty.
- 7.4 Both of these factors will be a key risk element of the budget that is being prepared for 2013/14 and prudent assessments of the financial impact will be included within that process.

8 People Impact Assessment

- 8.1 As explained elsewhere in the report, the impact on the Authority is entirely financial and therefore has limited impact on people from an Authority view point other than it

may affect the level of resources that can be deployed for service delivery in the future. The scheme designs put forward by Billing authorities will be subject to separate EIA's given the impact on vulnerable groups and will be taken into account as part of the final scheme design.

9 Consultation

- 9.1 This report is response to consultation currently being carried out by Billing Authorities in the Hampshire and Isle of Wight area. After they have taken into account the responses from Major Preceptors, Billing Authorities are then required to undertake wider consultation with other stakeholders before finalising their Council Tax Support Schemes.
- 9.2 As part of this wider consultation, Major Preceptors will be still be able to submit further detailed comments on scheme design.

10 Background papers

- 10.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

Submissions from Billing Authorities as part of the consultation process.

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

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7 June 2012

Dear Bob

CHANGES TO COUNCIL TAX BENEFIT

Thank you for your joint letter dated 25 May 2012 and for providing the Fire Authority, with the opportunity to give you some initial views as part of the consultation process.

In your letter you have asked for specific responses to a number of questions, which I have set out below.

1. Acceptance that a complete redesign will not be possible for 2013.

We appreciate the various difficulties, set out in your letter, that would be involved in undertaking a complete re-design at this stage and therefore accepts that this may not be possible for April 2013.

2. Delaying complete redesign to coincide with the implementation of the Universal Credit.

This seems like a sensible approach given the complexities within both systems and given the likely overlap and confusion that this could cause not only in benefit administration but also for recipients of benefits during the transition periods. However, the Fire Authority is obviously concerned about the potential financial impact of any delays in scheme re-design, which are addressed under the next question.

3. The views of precepting authorities on the loss of grant and the impact on precept levels.

Clearly as a Precepting Authority, the main impact of the changes to the Council Tax Benefit system are financial, since whilst we are required to be consulted over scheme design, we have no ultimate control over what scheme billing authorities eventually implement.

There is a potential impact of £476,000 on the Fire Authority's budgets from 2013/14 onwards, none of which was anticipated when the Medium

Term Financial Strategy was approved. This is before we know how the Government may choose to distribute the grant funding for these changes and before any potential increase in benefit take up as a result of wider public awareness of the changes to the schemes.

We are therefore keen to stress that as a precepting authority we would want to see the new schemes designed in such a way that they will close the 10% funding gap either directly through the scheme design or using other methods such as changing existing discounts.

It is however recognised that due to the limitations described in your letter, this may not be entirely achievable in the first year of the scheme through scheme design, but there does still remain the option of 'top slicing' in order to achieve the necessary savings from the outset.

If schemes are designed in a way that is not cost neutral then the financial impact will almost certainly put pressure on council tax levels for all three precepting authorities which will be felt across all localities.

4. Protection to any particular groups within the community from changes to the Council Tax Benefit Scheme during an interim period.

We believe this is a matter for each billing authority to consider at a local level, within the confines of the financial objective set out above.

5. Protection for any groups within the community once the scheme redesign has been carried out.

We believe this is a matter for each billing authority to consider at a local level, within the confines of the financial objective set out above.

6. Any principles the preceptors would like to see considered in the scheme redesign.

Other than the principle around the financial objectives, the Fire Authority would be keen to see schemes across the County that were similar in design to avoid confusion amongst residents and also that were perceived to be fair and consistent and benefitting those groups for whom the original council tax benefit scheme was intended.

7. Any merit in discussing potential for risk sharing models in the event of unexpected changes in benefit caseload.

No regulations have been determined for dealing with in year changes to benefit caseload and therefore any arrangements for risk sharing would be for local agreement. Our preference would be that any in year differences be contained within the collection fund in line with the current approach and precepting authorities will of course meet their share of any potential in year losses through that mechanism. Regular monitoring of the situation would of course be useful throughout the year.

We are also keen to avoid any complications in respect of precept payments and would seek to continue the current arrangements for these.

8. Any other issues of concern to precepting authorities.

None at the present time, but the Fire Authority welcomes the opportunity to continue dialogue with billing authorities prior to the formal consultation.

I hope this is sufficient for your purposes, but if you have any further issues or questions, please do not hesitate to contact me.

Yours sincerely

Rob Carr
Treasurer

HAMPSHIRE FIRE AND RESCUE AUTHORITY

COUNCIL TAX SUPPORT SCHEMES

RESPONSE TO CONSULTATION BY BILLING AUTHORITIES

Introduction

Hampshire Fire and Rescue Authority recognises the significant challenge that has been set for Billing Authorities in designing new Council Tax Support Schemes (CTSS) and is grateful for the way in which Authorities in Hampshire and the Isle of Wight have worked with Major Preceptors in a consistent and pragmatic way, given the financial and time constraints that have been imposed upon them.

The Chief Financial Officer's group that have been leading this piece of work had agreed a format for the provision of information to Major Preceptors in order to aid the consultation process, and to avoid the need for Major Preceptors to have to consider the specific detail of every single scheme in Hampshire and the Isle of Wight.

This response is structured in line with the information that was provided and seeks to provide high level feedback on the design work that has been undertaken so far, albeit that Major Preceptors may still wish to provide further detailed feedback as appropriate when wider stakeholder consultation is undertaken over the Autumn.

Key Features of the Schemes

The Major Preceptors that must be consulted are Hampshire County Council, Hampshire Fire and Rescue Authority and Hampshire Police Authority, which means that all District Council's in Hampshire and the Unitary Councils of Southampton, Portsmouth and the Isle of Wight are captured by the overall consultation exercise, giving 14 Authorities in all that are designing separate schemes. To date we have only had information from 13 of them.

Billing Authorities were asked to fill in a 'pro forma' return as part of the consultation exercise, which asked 11 key questions in respect of scheme design. The consolidated summary of the answers to these questions is attached at Annex 1, together with a short definition of what each of the items means. Separate information for individual authorities has not been provided since most authorities wanted to keep initial proposals for their schemes confidential prior to the formal consultation process with other stakeholders commencing.

Pre-consultation feedback from the Major Preceptors suggested that consistency across the schemes should be an important consideration albeit that local variations were inevitable. It was therefore suggested that it may be

possible to have a consistent 'core scheme' which included common elements, together with local variations in other areas.

Based on the returns that have been received there are a few common elements within the schemes, but these do not extend to all 13 authorities. The table below sets out the key common features and how many of the Authorities are currently adopting them:

Common Design Feature	No. of Authorities
Capping the amount of support to working age claimants (caps ranging from 50% to 90%, with a majority going for 80%)	11 Authorities
Capping the maximum level of support to a particular council tax band (most considering Band C or Band D)	7 Authorities
Removal of the second adult rebate for working age claimants	7 Authorities
Reducing the upper limit for capital allowances	5 Authorities
Increasing the income disregards for working age claimants (as an incentive to return to work)	4/5 Authorities

Annex 1 also shows that there are a number of features that are only being considered by 1 or two authorities, and therefore in the interests of consistency consideration could be given by those authorities to not including that feature in the final design.

In addition to changes to these specific design features, some authorities are considering adopting the default scheme put forward by the Government (which applies to claimants who are not pensioners) and then reducing the overall entitlement to the support by a fixed percentage (e.g. 25%). Other exemptions to this have also been applied for example by treating anyone in receipt of a war pension or war widows pension the same as pensioners (i.e. they will not be affected by the new scheme).

Major Preceptors understand and appreciate the basis upon which these proposals have been put forward, since it means a consistent approach has been adopted by introducing the Government's default scheme and the financial pressure has been absorbed by using a blanket percentage reduction to the entitlement for all groups. However, it is important that Billing Authorities considering this scheme undertake a full Equalities Impact Assessment to ensure that this blanket approach does not have a detrimental effect on particular vulnerable groups.

The view of Major Preceptors is that Billing Authorities should continue to consider the development of 'core elements' of future schemes and that these should be applied consistently in all Authorities, in order to avoid the potential for a 'post code lottery' in respect of the inconsistent treatment of individuals depending on their location. This would also apply to features that are only being considered by a small number of authorities. In addition, any Billing Authorities considering a blanket reduction in entitlement need to ensure this is explored as part of the Equality Impact Assessment that they undertake.

Financial Considerations

Funding for the new schemes is being set at 90% of the previous funding available nationally for the Council Tax Benefit Scheme. With pensioners protected from any reductions in benefits, this means that the potential financial burden falls on remaining claimants in varying degrees, depending on the demographic profile of the local population.

One of the key factors highlighted by Major Preceptors as part of the pre-consultation response was that they would like to see the financial impact of the changes eradicated through the detailed scheme designs or through changes to other exemptions and discounts where there is a shortfall.

From the returns provided by Billing Authorities, all but 1 of the 13 authorities are aiming to neutralise the impact of the funding reduction through scheme design or by changing other discounts. Major Preceptors do however, recognise that these are currently principles of the scheme design and the actual financial impact may in reality be different or scheme design itself may change following consultation with other stakeholders or as part of the final political decision making process within each authority.

Major Preceptors also note that for most authorities, the only way that the financial impact can be neutralised is through further changes to the second homes discount and the empty property discount.

Major Preceptors continue to re-iterate the requirement that Billing Authorities should try to close the 10% funding gap either directly through the scheme design or using other methods such as changing existing discounts.

Other Considerations

Council Tax Collection Level – It is noted that most Authorities are expecting collection rates to fall in the range of 0.2% to 1% as a result of the need to collect council tax from individuals who were previously on benefit. This will ultimately have an impact on the Council Tax Base levels, which will of course impact on all Major Preceptors.

Major Preceptors accept the fact that estimating the level of Council Tax Bases will be particularly challenging this year until actual data on

collection rates starts to be collected during 2013/14 but urges Billing Authorities to provide information in line with the revised timescales that will be issued by Major Preceptors in due course.

Take Up of Council Tax Support – It is recognised that with the increased publicity surrounding the implementation of the new schemes, that more eligible claimants may come forward when the schemes are introduced. Whilst this is almost impossible to predict, forecasts of up to 5% have been predicted as part of the financial modelling that the Billing Authorities have done.

Major preceptors appreciate that increased take up may be a consequence of the implementation of the new scheme, but would re-iterate that the preferred approach for dealing with in year gains or losses is through the existing collection fund deficit / surplus methodology and that the arrangements for fixed precept dates and amounts remain the same.

Consultation with Other Stakeholders – It is noted that the majority of consultation will take place throughout late August, September and October.

Major Preceptors reserve the right to make further representations in respect of the detailed design of schemes and would therefore like to continue to be treated as a key stakeholder in that regard during the further consultation processes.

Scheme Feature	Definition	No. of Authorities 'Yes'	No. of Authorities 'No'	Undecided / Still Considering
Cap on support to working age claimants	Changes to this feature would mean that working age claimants may be required to pay a minimum amount of their council tax in the future, by capping the maximum amount they can claim.	10	2	1
Capped at a tax band value	Claims for support will be limited to a maximum value of a certain tax band (most proposals are band C or D). This means that residents living in a band F house for example would only get support up to the maximum value of the band C or D dwelling.	6	6	1
Capital allowances taper	At the moment, for residents who have savings between £6,000 and £16,000, £1 is added to assumed weekly income for every £250. Under new proposals either the upper and lower limits can be varied or the amount that is added to the weekly income calculation could be increased.	4	8	1
2nd Adult Rebates removed for working age claimants	Working age residents who live with someone who is on a low income (who is not their partner) may receive council tax rebates at the moment, which would be removed under this proposal.	6	6	1
Reduced limit to back-date claims	The current scheme allows for backdating of claims for up to six months, some authorities are considering reducing the amount of time that claims can be backdated.	2	11	
Include child maintenance or child benefit in means test	Child maintenance and child benefit are currently not counted as income as part of the means testing process, this proposal would take that income into account in assessing council tax support in the future.	1	10	2

Scheme Feature	Definition	No. of Authorities 'Yes'	No. of Authorities 'No'	Undecided / Still Considering
Changing income disregards for working age single claimants	At the moment, certain types of income are disregarded (i.e. they are not taken into account) as part of the Council Tax Benefit calculation. Some Authorities are considering changing the types of income that are taken into account or varying the levels that are disregarded.	3	9	1
Changing income disregards for working age couples	At the moment, certain types of income are disregarded (i.e. they are not taken into account) as part of the Council Tax Benefit calculation. Some Authorities are considering changing the types of income that are taken into account or varying the levels that are disregarded.	3	8	2
Amending the exempted groups for non-dependant deductions	Non dependant residents are adult residents such as adult children or other relatives who live in the property. Fixed deductions are made from the main householders benefit based on the weekly income of the non-dependant. Some groups of non-dependants are excluded from these deductions but some authorities are considering bringing them in to the deduction scheme.	2	10	1
Considering amending the non-dependant deduction levels	Non dependant residents are adult residents such as adult children or other relatives who live in the property. Fixed deductions are made from the main householders benefit based on the weekly income of the non-dependant. Some Authorities are considering varying the levels of the deductions.	4	8	1
Maintaining a hardship fund	Some authorities are considering introducing a hardship fund that can be used in cases of extreme hardship where this can be demonstrated on a case by case basis.	4	4	5