

## **CITY COUNCIL - 28 JANUARY 2013**

### **REPORT OF THE DEPUTY LEADER**

#### **COUNCIL TAX SUPPORT SCHEME, NOTTINGHAM CITY**

## **1 SUMMARY**

- 1.1 This report sets out a local Council Tax Reduction Scheme for the City of Nottingham which is formally called 'Council Tax Support Scheme 2013/14' (CTSS 2013/14) and seeks approval to adopt this Scheme. A copy of the proposed CTSS 2013/14 is available on the Council's website here:  
<http://nottinghamcity.gov.uk/index.aspx?articleid=13321>
- 1.2 From April 2013 responsibility for providing help to people to pay their Council Tax passes to billing authorities, who are required to draw up local Council Tax Support Schemes. The Government requires that new schemes must be adopted by authorities by 31 January 2013.
- 1.3 The local Council Tax Support Scheme will impact on all working age people who currently claim Council Tax Benefit. In Nottingham, an estimated 26,500 Council Tax Benefit claimants are of working age.
- 1.4 The CTSS 2013/14 proposals were considered by the Executive Board on 18 December 2012.
- 1.5 Appendix 1, the Equality Impact Assessment and Appendix 2, the consultation findings have been circulated separately.

## **2 RECOMMENDATIONS**

It is recommended that Council:

- 2.1 notes the findings and outcomes from the CTSS consultation carried out with residents and other stakeholders as set out in Section 3.1 of this report and in Appendix 2;
- 2.2 having regard to its Public Sector Equality Duty, notes the findings on equalities and other impacts arising from the proposed Council Tax Support Scheme in Appendix 1;
- 2.3 has regard to the recommendation of the Executive Board on 18

December 2012 and adopts the proposed Council Tax Support Scheme for the City of Nottingham for 2013/14 to take effect from 1 April 2013 and available on the Council's website here: <http://nottinghamcity.gov.uk/index.aspx?articleid=13321>;

- 2.4 has regard to the recommendation of the Executive Board of 18 December 2012 and authorises the Chief Finance Officer to:
1. submit an application to Department for Communities and Local Government, no later than 15 February 2013, for 'transition grant funding' of £775,000; and
  2. to agree any appropriate terms and conditions;
- 2.5 further resolves to use the full allocation of the 'transitional grant funding' in the operation of the CTSS for 2013/14.

### **3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)**

- 3.1 A comprehensive 8 week formal public consultation exercise took place from 5 September 2012 until 30 October 2012, on proposals for a local CTSS consisting of the following features:
- putting a maximum limit on the amount of council tax support that can be paid to all working age people – where everyone would pay at least 20% towards their Council Tax bill;
  - capping the Council Tax support to 80% and Band B properties;
  - reducing the upper savings limit from £16,000 to £6,000;
  - removing the Second Adult Rebate<sup>1</sup>;
  - removing backdating;
  - setting a minimum level award of between £2 - £4.
- 3.2 The consultation proposals were developed in partnership with Derby and Leicester City Councils. The purpose of a joint approach was to provide both equity and clarity for citizens in terms of the support they could expect to receive, to simplify the consultation and communications approach and to provide leadership in an approach for the wider region.
- 3.3 Our engagement and consultation activities were designed to give all citizens and key stakeholders the opportunity to have their say. A number of different channels of communication were used such as face to face events, written and online information and a wide range

---

<sup>1</sup> If a resident can afford to pay their Council Tax, but lives with someone on a low income, who is not their partner, they may be able to get up to 25% off their Council Tax bill. This is called Second Adult Rebate.

of briefings were organised for citizens, partners, NCC employees, voluntary groups and key stakeholders. Further details are in Appendix 2.

3.4 The City Council has formally consulted with the precepting authorities and has been in discussion with them throughout the consultation period.

3.5 Analysis of the consultation responses showed that:

- **25%** of respondents **agreed** with the proposal that **all** households should pay 20% of their Council tax. **66% disagreed**;
- **70%** feel that some households should get more support than others, but there is no consensus on how to fund more support for certain households or who those households are;
- **57%** of respondents **disagreed** with the proposal to remove backdating. **30% agreed**;
- **51%** of respondents **disagreed** with the proposal to cap support at the Band B rate. **31% agreed**;
- Opinion was more evenly split (between those in favour and those against) for the proposals on reducing the savings limit, removing second adult rebate and setting a minimum award level.

3.6 Key messages from the consultation were that:

- the proposed scheme is unaffordable to some people and would unfairly penalise some people;
- the Council should refuse to pass on the cuts and should campaign against Government cuts;
- the Council should save money elsewhere or use other money to make up the shortfall in funding, although this may be a short term solution;
- people would like to know how the proposed scheme will affect them personally.

3.7 As a result of the consultation analysis (Appendix 2) and the EIA (Appendix 1) the following changes were proposed to the draft 2013/14 CTSS:

- to retain back dating – the consultation showed strong disagreement with removing this feature and that removing it may increase hardship for vulnerable citizens;
- to set a minimum level of award at 50p – the consultation showed some disagreement with introducing a minimum level award. Setting the minimum at 50p aligns with Housing Benefit payments and minimises the impact on low income working households and

others just above the threshold for 100% help.

3.8 These changes should also inform the intentions for the 2014/15 CTSS.

3.9 During Nottingham City Council's (NCC) consultation the Government made an announcement about £100m transition funding. The DCLG criteria differ slightly from the proposals outlined above on which NCC consulted. At the time of drafting and consulting on the original local CTSS proposals, DCLG had not announced any intention of making the transitional funding available. Now that this funding is available, it provides the opportunity for NCC to reduce the financial burden for 2013/14 for citizens by accessing and using this funding to mitigate the impact as far as possible during a period of significant welfare reform changes. This enables NCC to revise the 2013/14 CTSS in a way which does not fundamentally differ from the original proposed scheme (and therefore no requirement for further consultation arises) and which responds to the consultation feedback which indicated a high proportion<sup>2</sup> of respondents would find it difficult to meet household bills whilst at the same time meeting the criteria necessary to secure transitional funding.

3.10 **The 2013/14 Council Tax Support Scheme**

*The Local Government Finance Act (LGFA) 2012 states that each billing authority in England must adopt a council tax reduction scheme no later than 31 January 2013; and the first financial year to which that scheme relates must be the year beginning with 1 April 2013. The 2012 Act also inserts a new Schedule 1A into the LGFA 1992; it provides that for each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.*

3.11 It is recommended that in the light of the consultation feedback, NCC takes the opportunity to reduce the financial burden on some of our most vulnerable citizens for 2013/14 by adopting a CTSS that enables NCC to access the transitional funding available from DCLG for one year only. It is recommended that Council adopts the Council Tax Support Scheme 2013/14 incorporating the key terms set out below and in the Scheme, available on the Council's website here: <http://nottinghamcity.gov.uk/index.aspx?articleid=13321>

---

<sup>2</sup> Pre-consultation - 85% of respondents said they would find it hard to meet household bills if they had to pay more Council Tax. Main consultation 71% of respondents said changes to Council Tax Benefit would mean they would have to reduce spending on essential items e.g. food and heating.

3.12 In order to comply with the criteria set out by DCLG, to access the one-off transitional funding, the 2013/14 CTSS includes the following elements:

- putting a maximum limit on the amount of council tax support that can be paid to all working age people, so that working age households who get 100% help with their Council Tax bills now can receive a maximum of 91.5% help in 2013/14;
- all working age households will pay at least 8.5% of their Council Tax bill in 2013/14;
- there is no sharp reduction in support for those entering work.

3.13 It is also recommended that the following additional elements are included, following consideration of the findings of our formal consultation exercise:

- Second Adult Rebate is removed<sup>3</sup>;
- backdating is retained;
- setting a minimum award level of 50p.

The elements in section 3.13 of this report do not conflict with the DCLG criteria and respond to the feedback from the formal consultation and equality impact assessment.

3.14 In order to comply with government regulations, the 2013/14 scheme also includes a guarantee that low income pensioners will see no change to the help they currently get with their Council Tax bills.

3.15 The current National Council Tax Benefit system is a means tested benefit system and when calculating the amount of Council Tax Benefit, the amount of money the household has to live on is taken into account. There are certain sources of household income/benefits that are not taken in to account. Under the 2013/14 CTSS this will not change and the following households will continue to be recognised:

**Households with Children** – Child Benefit will not be taken into account when household income is calculated

**Households with a disabled person** – will continue to receive benefits such as Disability Living Allowance and other allowances towards living costs.

**Households with a carer** – will continue to receive an additional allowance towards living costs

**Households with a war widow or disablement pension** – War

---

<sup>3</sup> If a resident can afford to pay their Council Tax, but lives with someone on a low income, who is not their partner, they may be able to get up to 25% off their Council Tax bill. This is called Second Adult Rebate.

pensions will not be taken into account when household income is calculated

3.16 This approach is designed to comply with the government parameters set out in section 5.7 of this report.

3.17 The advantages of adopting the 2013/14 CTSS are that:

- it enables NCC to adopt a CTSS in 2013/14 that is comparatively more affordable for citizens in 2013/14 as all working age households will pay at least 8.5% towards their Council Tax bill, rather than contributing at least 20% as originally envisaged. This will help to mitigate the impact of reduced levels of support available for low income households to pay their Council Tax. For example a couple in a Band A property (based on the 2012/13 Council Tax level) and in receipt of Income Support benefit would pay £1.75 per week under the 2013/14 CTSS rather than £4.13 per week under the original proposals;
- it recognises the concerns expressed within the consultation about the affordability of NCC's proposals and responds to these;
- the DCLG transition grant helps to manage financial risk to the Council since it provides £775,000 in the first year that would otherwise have had to be collected from low income working age households under the original proposals.

3.18 An EIA has been carried out for the 2013/14 CTSS and includes actions that have been taken to minimise negative impacts (Appendix 1).

3.19 The 2013/14 CTSS is only affordable for NCC for one year by using the one-off transition funding available to NCC totalling £775k. It does leave a funding gap for 2013/14:

- a £1.2m funding gap would remain (even with income from Council Tax reforms) which adds to existing budget pressures;
- the City Council's share of this would be £1.025m and there would be an estimated funding gap for preceptors of £0.124m (Police) and £0.052m (Fire). As the scheme is for one year only the City Council will finance the gap from reserves.

3.20 Applications for the transitional grant can only be made after the deadline for adopting schemes on 31 January 2013 but must be made by 15 February 2013.

3.21 The 2013/14 CTSS is recommended for 2013/14 only.

## **4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 4.1 NCC considered a number of options based on modelling of different levels of contribution from all working age households varying from 10% to 25%. As a result of this modelling, claimant contributions of 10% and 15% were found to be unaffordable in the long-term for the Council.
- 4.2 NCC also considered options based on modelling different levels of support for different sorts of households; for example, households with children or households with a disabled person. However, for NCC to increase support to one or more of these households, all other working age people who claim Council Tax support in Nottingham may have to pay between 20% and 38% towards their Council Tax.
- 4.3 These options were found to place a disproportionate burden on some households and the consultation findings provided no consensus on which households should receive more support than others and which households should pay more to fund this.

## **5 BACKGROUND**

- 5.1 The current Council Tax Benefit (CTB) system supports lower income households who need help to pay their Council Tax bill. This benefit is a national income-related social security benefit. The scheme is administered by local authorities and paid for by Government via a subsidy regime.
- 5.2 The Welfare Reform Act 2012 abolishes the current national Scheme from April 2013. Instead, responsibility for providing help to people to pay their Council Tax passes to billing authorities, who are required to draw up a local CTSS.
- 5.3 In 2012/13 NCC will spend an estimated £34m helping approximately 41,000 people pay their Council Tax bills<sup>4</sup>. Of these, 14,628 are pensioners costing £12.4m and approximately 26,500 were of working age costing £21.6m of those 26,500 working age people approximately 19,000 receive 100% CTB and approximately 7,500 receive partial CTB.
- 5.4 If NCC were to continue to pay Council Tax Support based on the

---

<sup>4</sup> Figures from May 2012 data

current national CTB rules, the estimated cost to the Council in 2013/14 would be £35.4m.

- 5.5 From April 2013, billing authorities will receive a non-ring fenced grant from the Government to support local schemes, rather than an amount reflecting actual expenditure. NCC originally estimated a grant of £29.3m for 2013/14. This left the Council with an estimated funding gap of £6.1m for 2013/14, if NCC were to continue to pay Council Tax Support based on the current national CTB rules. This grant allocation does not appear to take into account basic assumptions such as likely increases in the numbers of low income pensioners or working age households needing support or existing claimants' incomes falling. NCC estimated that this grant would be 18% less than the Council's total projected expenditure on CTB in 2013/14.
- 5.6 NCC's approach to developing a replacement scheme has been informed by the following principles:
- affordability for citizens;
  - affordability for the council and precepting authorities;
  - ease of administration and implementation;
  - future sustainability;
  - effect on citizens (disproportionate effect or not);
  - equality considerations
- 5.7 The Government has set some parameters which all new schemes must follow. These include:
- no change in support for Council Tax given to low income pensioners (this protection is prescribed in regulations);
  - a reminder of authorities' statutory duties in relation to child poverty and vulnerable groups including disabled people;
  - the expectation that local schemes should encourage people into work and not undermine the new Universal Credit scheme.
- 5.8 The Government requires that new schemes must be adopted by authorities by January 2013 and implemented by 1<sup>st</sup> April 2013. If the Council fails to adopt a local scheme by 31<sup>st</sup> January 2013 then a default scheme designed by DCLG will be implemented. This scheme would be the same as the current national scheme but with the reduced level of funding leaving the Council and precepting authorities (Fire and Police) with a significant budget shortfall estimated at £6.1m per annum.



- 5.9 In October 2012, the Government announced that an additional £100 million of transition funding would be made available for Local Authorities who adopt schemes that meet specific Government set criteria. This announcement happened during the period of Nottingham's formal public consultation on local CTSS proposals.
- 5.10 In order to become eligible to apply for the transitional grant funding, a local authority must formally adopt a scheme, before 31 January 2013 which complies with the following Government set criteria:
- those working age households who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
  - the taper rate does not increase above 25%<sup>5</sup>;
  - there is no sharp reduction in support for those entering work.
- 5.11 The requirement for the scheme to ensure no change in the support for Council Tax given to low income pensioners would also still apply.

### **New council tax powers relating to empty properties**

- 5.12 The Council can take advantage of new powers relating to empty properties which could potentially generate income by allowing NCC to choose whether to grant discounts or levy additional charges on long term empty properties. For Nottingham this could potentially generate up to £2.637m per annum and could be used to help reduce the estimated £6.1m funding gap. In February 2013, Council will be asked to approve the use of these powers from 1<sup>st</sup> April 2013.

## **6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

- 6.1 The reduction in Council Tax Support Grant (CTSG) will lead to a shortfall in funding the current national scheme of an estimated £6.1m in 2013/14. Given the current financial pressures faced by the City Council the current national scheme is not considered affordable.
- 6.2 The CTSS consulted upon was estimated to increase the amount of Council Tax to be collected such that this scheme would be financed from the CTSG and the additional income generated from the reduction in Empty Property discounts.
- 6.3 In order to minimise the impact of the reduction in grant on the CTSS the City Council plans to introduce the Government proposals to allow

---

<sup>5</sup> The rate at which Council Tax Benefit is reduced to in order to take account of income

local discretion over the level of Council Tax Empty Property discounts. The increased net income is estimated to be £2.637m.

6.4 Following the outcome of the consultation and in the light of the announcement of additional one-year funding by DCLG (£775k grant to City Council and precepting authorities (Fire and Police)) it is proposed to introduce a scheme in 2013/14 that will comply with the conditions imposed by DCLG. The implementation of this scheme will increase Council Tax collected by an estimated £1.493m, leaving a shortfall in the cost of the scheme of £1.201m in 2013/14 (assuming the Empty Property discounts are applied in full).

6.5 The shortfall in the cost of the scheme in 2013/14 will impact on precepting authorities as follows:

Precepting authority	Share %	Cost £m
City Council	85.4	1.025
Police Authority	10.3	0.124
Fire Authority	4.3	0.052
Total	100.0	1.201

6.6 The City Council has formally consulted with the precepting authorities and has been in discussion with them throughout the consultation period.

6.7 As the scheme is for 2013/14 only the financial shortfall is non-recurring. The City Council shortfall of £1.025m can be financed from reserves. The Medium Term Financial Plan to be submitted to Executive in February will contain the impact on reserves should the recommended scheme be approved at Full Council in January 2013.

6.8 The following financial risks have been identified:

- the estimates assume a 1% increase in demand for benefits based on demand trends from the last 3 years. A 1% increase in demand will increase the cost of the scheme by £352,000; conversely if demand reduces the cost of the scheme will reduce;
- a loss of collection and increased cost of collection based upon experience of collecting this type of debt in line with assumptions made by other authorities. Each 1% reduction / increase in collection rate makes £22,000 difference in cost;
- the assumption is that the DCLG grant will be received in full. There is a risk in that the grant can only be applied for after

Council approve the scheme. The approval of grant will therefore be after the scheme has been approved;

- future council tax increases will increase the cost of the scheme and will need to be factored into Medium Term Financial Strategy assumptions.

## **7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS)**

### **Local Government Finance Act 2012**

- 7.1 The Local Government Finance Act 2012 (the Act) came into force on 31 November 2012 and imposes a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013. Regulations set out certain key requirements and subject to those parameters, other aspects of the scheme are to be agreed locally.
- 7.2 The key prescribed features are that any scheme must specify the reductions applicable to people or classes of people whom the authority considers to be in financial need; the reduction to which persons in each class are to be entitled (and different reductions may be set out for different classes); and the procedures by which a person may apply for a reduction under a scheme or make an appeal.
- 7.3 The Government has placed a duty on local authorities to provide a 'protected' scheme for claimants of state pension credit age (pensioners) and have also prescribed certain classes of people who will not be eligible to claim support.
- 7.4 In advance of the Act coming into force DCLG published a Statement of Intent '*Localising Support for Council Tax*' setting out a range of issues regarding Council Tax Support schemes so that local authorities could prepare draft schemes and consult on them before the Act came into force.
- 7.5 The Act states that for each financial year, Councils must consider whether to revise its Council Tax Support scheme or replace it with another scheme and that such decisions need to be made by 31 January in the financial year preceding that for which the revision or replacement scheme is to take effect.
- 7.6 If the Council does not make a Council Tax support scheme by 31 January 2013, a default scheme will be imposed on the Council which will be effective from April 2013, the effect of which has been set out

above in this report.

### **Consultation**

- 7.7 The Act states that before making a scheme (in the following order) the authority must consult with any major precepting authority, publish a draft scheme and then consult with other such persons who are likely to have an interest in the operation of such a scheme.
- 7.8 The Statement of Intent identified that billing authorities must put in place a realistic timeframe for consultation to ensure that feedback can be sought from all appropriate individuals and groups in the community. The length of any consultation should also reflect the changes proposed. It also noted that although the Government's code of practice on consultation states that 12 weeks is normally appropriate, there may be good reason for a shorter consultation period where there is a fixed timetable. It adds that in considering their timetable a billing authority will also need to consider that if effective consultation is carried out it also takes time to gather the feedback, understand the key themes and impacts and take it through any internal governance processes to get agreement on any final changes.
- 7.9 Details of the consultations undertaken are dealt with in the main body of the report and Appendix 2. In terms of public consultation, taking all the relevant factors in the DCLG Statement of Intent, into account, an 8 week consultation period was considered an appropriate timescale in terms of satisfying those requirements whilst at the same time ensuring the 31 January deadline is met.

### **Public Sector Equality Duty**

- 7.10 The public sector equality duty, as set out in section 149 of the 2010 Equality Act, requires the Council, when exercising its functions, to have "due regard" to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who have a "protected characteristic" and those who do not share that protected characteristic.
- 7.11 The Council must pay due regard to any obvious risk of such discrimination arising in respect of the decision before them. There is no prescribed manner in which the equality duty must be exercised, though producing an Equality Impact Assessment (EIA) is the most usual method. For this reason these matters are examined in the EIA

(Appendix 1).

- 7.12 The “protected characteristics” are: age, disability, race (including ethnic or national origins, colour or nationality), religion or belief, sex, sexual orientation, pregnancy and maternity, and gender reassignment. Marriage and civil partnership are also a protected characteristic for the purposes of the duty to eliminate discrimination.
- 7.13 Councillors must consider the effect that implementing the proposed scheme will have in relation to equality before making a decision. The EIA will assist with this.
- 7.14 Where it is apparent from the analysis of the information that the policy would have an adverse effect on equality, then adjustments should be made to avoid that effect and this is known as “mitigation”.
- 7.15 The public sector equality duty is not to achieve the objectives or take the steps set out in section 149 of the Equality Act 2010. The duty on the Council is to bring these important objectives relating to discrimination into consideration when carrying out its public functions. The phrase “due regard” means the regard that is appropriate in all the particular circumstances in which the Council is carrying out its functions. There must be a proper regard for the goals set out in section 149 of the 2010 Act. At the same time, when making their decision on what scheme to adopt for localised council tax support, Councillors will also need to pay regard to other factors which it is proper and reasonable for them to consider. Budgetary pressures and economic and practical factors will also be relevant. The amount of weight to be placed on the same countervailing factors in the decision making process will be for Councillors to decide when the final decision on the scheme is made.

### **Other duties**

- 7.16 In addition to the Public Sector Equality Duty, the Department for Communities and Local Government has provided the following guidance to local authorities in its May 2012 document entitled: “Localising Support for Council Tax: Vulnerable people – key local authority duties” which reminds local authorities of the need to take other duties into account when setting up a Council Tax Reduction Scheme: Child Poverty Duty under the Child Poverty Act 2010; Homelessness Act 2002; Armed Forces Covenant; Chronically Sick and Disabled Persons Act 1970; Disabled Persons (Services, Consultation and Representation) Act 1986, and the Children Acts

1989 and 2004. This guidance has been taken into account in preparing the scheme and is addressed, as appropriate in the main body of the report.

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

- 8.1 The equality impact has been assessed and can be found in Appendix 1.
- 8.2 The Equality Act 2010 places a duty on Local Authorities to pay due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation, and any other conduct prohibited by the Act;
  - advance equality of opportunity between people who share a 'protected characteristic' and people who do not share it; and
  - foster good relations between people who share a protected characteristic and people who do not share it.
- 8.3 NCC and Councillors as decision makers have a legal responsibility to pay due regard to the equalities implications of decisions to change, limit or remove aspects of our services.
- 8.4 The full EIA has helped NCC to identify key issues to try to mitigate any adverse impact that may be felt by citizens in the design of the Council Tax Support Scheme.

## **9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

- 9.1 Equality Impact Assessment – Appendix 1  
Consultation findings – Appendix 2  
Council Tax Support Scheme 2013/14 – available on the Council's website here: <http://nottinghamcity.gov.uk/index.aspx?articleid=13321>

## **10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- 10.1 Welfare Reform Act 2012  
Localising support for council tax – Transitional grant scheme (October Local Government Finance Act 2012  
The Equality Act 2010  
DCLG statement of intent Localising Support for Council Tax

Executive Board Report of 18 December 2012

**COUNCILLOR GRAHAM CHAPMAN  
DEPUTY LEADER**