

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 27 NOVEMBER
2012

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

5. LOCAL SCHEME FOR COUNCIL TAX SUPPORT

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To invite comment on the outcome of consultation on the draft local Council Tax Support Scheme.
- To invite comment on the proposals for the final scheme.

<u>RECOMMENDATION FOR DECISION:</u> that	
(A)	The Executive be advised of any recommendations.

1.0 Background

1.1 The Executive are seeking views on a local scheme to replace Council Tax Benefit from 1 April 2013.

2.0 Report

2.1 Corporate Business Scrutiny considered a report to the Executive on 21 August 2012 in relation to the draft scheme for local support of Council Tax.

2.2 Since that date a consultation exercise has been completed and the Government have proposed a transitional grant option for Councils to consider, which aims to reduce the impact on claimants in year one of the new scheme.

2.3 The outcome of the consultation exercise is detailed in **Essential Reference paper B**.

2.4 The transitional grant proposal are included at **Essential Reference C**. They state:

The Department for Communities and Local Government (DCLG) is making available an additional £100m for one year to support local authorities in developing well-designed council tax support schemes and maintain positive incentives to work.

The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. This funding will enable councils to explore more sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers.

2.5 The qualifying criteria are listed as;

To apply for a grant, billing authorities must adopt schemes which ensure that:

- Those 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%;
- There is no sharp reduction in support for those entering work. The taper should continue to operate as under current council tax benefit regulations - that is, to be applied to excess income and in relation to the claimant's maximum eligible council tax reduction. Where an authority has decided to adopt a scheme in which the maximum reduction is lower than 100% of liability, this maximum eligible reduction will therefore be this level, lower than 100% of liability.

2.6 The grant funding that would be secured by achieving these conditions is detailed as:

Current proposal	East Herts	County	Police	Totals
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£700k cut	£105k	£525k	£70k	£700k
Savings from 10% liability cut	-£60k	-£300k	-£40k	£400k
To be funded elsewhere	£45k	£225k	£30k	£300k

Impact of Government grant	East Herts	County	Police	Totals
£700k cut	£105k	£525k	£70k	£700k
Savings from 8.5% liability cut	-£51k	-£255k	-£34k	£340k
Government grant	-£24.6k	-£125.4k	-£16.5k	£166.5k
To be funded elsewhere	£29.4k	£144.6k	£19.5k	£193.5k

Other than the grant figures the above are estimates based on an assumed level of spend.

- 2.7 The annual cost of Council Tax benefits is approximately £7m per year. The overall grant is to be cut by 10%, which if no changes were made to the scheme would generate a £700k gap between cost and grant. East Herts would meet £105k of this gap.
- 2.8 The report considered on the 21 August 2012 detailed the objectives and intentions in respect of reducing the maximum liability for working age claimants by 10%. This acknowledged that the cost of the reduction in funding on protected pensioner groups would need to be found elsewhere.
- 2.9 If the reduction in liability for working age claimants was limited to 8.5% to ensure compliance with the grant criteria, the cost would be in the region of £60,000. (increased expenditure)
- 2.10 The grant would cover this cost and contribute to the cost of protecting pensioners, as is required by the scheme.
- 2.11 The proposed scheme is already compliant with the remaining eligibility criteria.

- 2.12 Corporate Business Scrutiny Committee is invited to advise the Executive of any issues which they feel need to be addressed before the final scheme is recommended to Full Council.
- 3.0 Implications/Consultation
- 3.1 Herts County Council confirm that they would wish us to maximise the grant as long as there was no detriment to the County.
- 3.2 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

Minutes of the meeting of the Corporate Business Scrutiny committee on 21 August 2012.

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