



Ged Fitzgerald
Chief Executive

16 August 2012

Mr Kieran Timmins
Deputy Chief Executive
Fire Service HQ, Bridle Road
Bootle
Merseyside
L30 4YD

Dear Mr Johnson

Re: Localisation of Council Tax Support Scheme - Consultation

Thank you for the letter from yourself and Kieran Timmins dated 2 August 2012. I am writing to you to set out Liverpool City Council's proposed approach to developing and introducing a Council Tax Support (CTS) scheme from April 2013 as a replacement for the current Council Tax Benefit (CTB) scheme.

We note the contents of your letter including your views about:

- a) The unavoidable impacts of council tax benefit localisation.
- b) The potential loss of tax base, and
- c) Your view that any council tax support scheme introduced to be cost neutral.

We are happy to set up a meeting to discuss these matters and support the consultation process. Detailed below is the City Council's proposed approach to CTS to support this.

As you will be aware DCLG guidance states that before the authority adopts a new CTS scheme it must in the following order:

- a) Consult any major precepting authority which has power to issue a precept to it,
- b) Publish a draft scheme in such a manner as it thinks fit, and
- c) Consult other persons as it considers are likely to have an interest in the operation of the scheme.

This letter sets out the options we have considered and are looking to consult upon and seeks the views of the precepting bodies in this regard. The approach below was considered by the City Council at its Finance and Resources Select Committee meeting of the 11th July.

We are hoping to commence public consultation later in August for up to 12 weeks. The results will then be collated and analysed. A report will then be produced and presented to the Council for scrutiny and ratification of the new scheme in November/December 2012. At

the same time major precepting bodies will be further consulted upon the final shape of the scheme.

As you are aware, the proposed replacement scheme is intended to support public spending deficit reduction and it is intended that it will do so by reducing the amount of grant by 10% (subject to confirmation of the final grant formula). It is estimated that this equates to a minimum of around £6.2m per annum of Council Tax Support expenditure for claimants in Liverpool. As pension age customers are to be protected from any reductions in Council Tax Support, any reductions in support would affect working age customers of which there are currently around 44,700.

The government has also confirmed that it is anticipated that local schemes should consider additional protection for vulnerable groups. Although vulnerable groups are not defined, disabled people and families with children are referred to in DCLG documents. There is also a requirement to take into account duties in respect of equalities, child poverty, the armed forces covenant and prevention of homelessness. The design of the scheme also requires that work incentives are protected in line with the major policy objectives of welfare reform.

If protection from reductions in CTS is applied to certain groups and not others it will be necessary to determine the cost of such protection and how it could be funded. If funding was taken from the available grant for CTS this would clearly result in greater reduction for any other working age groups.

An equalities impact assessment will be conducted after the consultation period, which will help to ensure that due regard is applied to the relevant duties of the authority under the Equalities Act 2010. This will include ensuring that the impact upon groups who share a 'protected characteristic' is analysed.

The options for a new CTS scheme being considered are detailed below.

- (a) Adopt the 'default scheme' which will operate in as close a way as possible to the current CTB scheme. This would require the steps to make up the shortfall in funding of at least £6.2M plus the costs of any additional demand and shortfall in grant. Clearly this would require savings and/or additional revenue to fund the scheme.
- (b) Reducing Council Tax Support to affected households to ensure that there is no additional cost to the authority as a result of the new scheme. There are various methods of redesigning the scheme which could be pursued; these are detailed below.
 - i. Reducing the maximum amount of Council Tax eligible for rebate – for example setting 82.5% as the maximum rebate;
 - ii. Using the existing CTB scheme to calculate benefit and then applying a percentage reduction - for example reducing current entitlement by 17.5%.
 - iii. Applying a 'flat rate' minimum charge to all claimants; for claimants currently in receipt of a 100% rebate this would represent the total charge, for those on lesser rates of benefit this would represent an additional contribution – for example all claimants pay an additional £2.70 per week in Council Tax and those receiving less than this amount lose

entitlement. Such an approach would eliminate all entitlement from those receiving amounts below the target figure, therefore the actual reduction would be greater than this indicative modelling suggests. This approach to reductions may be especially problematic due to the disproportionate impact upon certain groups.

(c) Reducing Council Tax Support by an amount lesser than the reduction in funding, this would still result in additional costs to the authority.

A number of other options for local policy and reducing support in relation to Council Tax for low income households have been examined but it was identified that they are not feasible and/or potentially unfair. These are described below.

- (a) Amendments to existing means test - the introduction of an amended form of the existing means test that treats income and savings differently by amending parameters in relation to the treatment of income, capital and 'applicable amounts' (the needs allowance to which the claimants income is compared). It is clear that this would be problematic to implement because for the majority of current CTB claimants benefit is effectively 'passported' due to receipt of a minimum income benefit (such as Income Support, Income-related Job Seekers Allowance etc.) and little or no detailed information on income and savings is held. The introduction of such a scheme would therefore require additional data to be collected for around 32,000 customers; it would be costly and complex to introduce and maintain. This is not considered to be a feasible option for 2013.
- (b) A status based scheme – this would require the creation of a new and simplified scheme whereby a type of income or status (for example unemployment) would generate a standard rate of benefit. This scheme would potentially be simpler to administer than the current scheme. However to introduce such a scheme by April 2013 would not be feasible for several reasons i.e.;
- Software suppliers current plans do not encompass such an approach;
 - It would divorce CTB from Housing Benefit rules thereby creating the necessity for additional data collection and databases (and the associated cost);
 - CTB will largely remain in its current form for pensioners indicating that the current core calculation must remain available.
- (c) Setting a ceiling on support based on Council Tax band. This approach would be to restrict support to calculation on the basis a maximum Council Tax band. This would prevent customers in properties of a higher value receiving higher rates of benefit. Some modelling has taken place based on restricting benefit to Band C, B or A. Most properties in Liverpool fall into band A. The modelling shows limited levels of savings on restricting to Band C, this equates to £134K per annum. Restricting to Band A would equate to £1.12M.

The report to the Council's Finance and Resources Select Committee also recommended that the Council may, if it applies reductions to Council Tax support, wish to protect certain groups. The decisions relate to:

- a) Which (if any) of the 'vulnerable' and in-work groups to protect;
- b) The extent of any protection to be offered;

c) The funding of any such protection.

The Council intends to consult on all options, however before the Council commences public consultation we would welcome your thoughts on the options presented.

Yours sincerely

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Chief Executive

CC - Kieran Timmins