

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet

8 November 2012

AUTHOR/S: Executive Director, Corporate Services

LOCALISED COUNCIL TAX SUPPORT

Purpose

1. To provide an update on the consultation for the Localised Support Scheme, to agree an initial draft Localised Council Tax Support scheme and recommend the draft Scheme to Council.
2. This is a key decision because it is likely to:
 - (a) result in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates, and
 - (b) be significant in terms of its effects on communities living or working in an area comprising two or more wards.

Recommendations

3. Cabinet is requested to:
 - (a) Note the feedback from the consultation on the development of a Localised Council Tax Support scheme, and
 - (b) Recommend that Council approve the draft Localised Council Tax Support scheme at its meeting on 31 January 2013 subject to the enactment of the relevant legislation and the final grant settlement being in line with current forecasts.

Reasons for Recommendations

4. This recommendation is to allow for consideration of the feedback from the consultation and financial planning
5. The final scheme cannot be agreed until the Local Government Finance Bill has received Royal Assent which to date has not been obtained. The scheme has been modelled using a number of assumptions of which one is the grant settlement, confirmation of which the Council will receive in late December.

Background

6. The Government has introduced major changes to the welfare system following the June 2010 budget and the Comprehensive Spending Review in September 2010. These reforms introduced Localised Council Tax Support (LCTS) which will replace Council Tax Benefit (CTB). The Local Government Finance Bill which contains the legislation for Localised Council Tax Support is moving forward towards Royal Assent although at the time of writing this report it has not yet been obtained.

7. The current cost of CTB is met in full by a subsidy payment made to the Council by the Department of Work and Pensions which is not financially limited. The replacement for CTB, LCTS will be based on an upfront fixed budget at a proposed 10% reduction of current national expenditure from 1 April 2013. This change will realise a saving of £500 million nationally.
8. The Department of Communities and Local Government (DCLG) has recently announced some additional transitional funding for 2013/14 only, provided that councils adopt a scheme which ensures that:
 - (a) 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.
 - (b) The taper rate does not increase above 25%
 - (c) There is no sharp reduction in support for those entering work
9. In addition the Government has indicated that large increases to non-dependant charges for other adults would not be expected within in any compliant scheme.
10. The adoption of a scheme which fulfils the criteria laid down would enable the additional grant funding of £145,777 for major preceptors to be obtained in addition to the principal funding.
11. The outcome of the consultation endorsed many of the council's proposals as set out within its consultation documents.
12. There are currently 6701 residents who currently receive CTB within South Cambridgeshire of those 54% are of pensionable age and 46% of working age. It is expected that the number of claimants will increase due to the economic climate and the growth of properties within South Cambridgeshire.
13. The Introduction of technical reforms to Council Tax from 2013/14 will enable the Council to have some discretion to vary locally some of statutory exemptions from Council Tax and raise some additional Council Tax. The details of potential changes to discounts and exemptions are:-
 - a) Class A -Vacant with Major repairs or structural alterations, or recently completed

Current Position is 100% exemption for 12 Months
Option to reduce the percentage of the exemption
 - b) Class C – Vacant Empty and Substantially Unfurnished

Current Position is 100% Exemption for 6 Months
Options to reduce the percentage of the exemption and or the period
 - c) Empty Homes Premium

Current Position is no Premium; Council Tax Charge is currently 100%
Options to charge an additional 50% premium after 2 years
 - d) Second Home Discount

Current Position is 10% discount is applied
Options to remove discount

11. The Final Localised Council Tax Support scheme may be subject to further change in light of feedback from Cabinet, the forthcoming enactment of the Local Government Finance Bill and announcement of the Local Government Financial settlement on 20 December 2012. If required, updates will be presented to Cabinet at its meeting in January, with a view to Cabinet recommending an amended scheme to Council for adoption on 31 January 2013.

Considerations

12. There are a number of rules and principles which have been set out by DCLG which need to be reflected in the design of a local scheme for the Council. These rules and principles protect those considered vulnerable.
 - (a) Pensioners are protected on the basis of their entitlement based on the current rules for CTB.
 - (b) The design of the scheme needs to cover the duties of the local authority in relation to:-
 - (i) Equalities
 - (ii) Disabilities
 - (iii) Child Poverty
 - (iv) Prevention of Homelessness
13. The number of pensioners claiming CTB is currently 3619 which is 54% of the total number of those currently claiming CTB within South Cambridgeshire; which means a 10% reduction in funding as indicated would see significantly larger reduction in benefit to those of working age. The demographics are different so the level of reduction could vary in each local authority.
14. The Council has looked at the protecting those in the most vulnerable groups in addition to pensioners. Those who are disabled, carers or lone parents with children under 5 are considered within this group; those that are considered to be vulnerable represent 26% of the total number of those currently claiming CTB.
15. The proposed schemes can be facilitated by the Council's software provider which means additional data input will not be required. The core information required will remain the same.
16. The Council has been given an indicative allocation of funding, however, it is highly likely that this will change. It therefore should be noted that the schemes have been based on estimated figures for grant allocation, Council Tax and caseload.

Options

17. The officers involved in this project have considered a number of options taking in to account the information provided by the DCLG. The options have been considered taking into account the technical reforms to Council Tax.

Proposed Option - A scheme which enables the reduction in funding to be fully mitigated by small reductions in benefit combined with increasing income from Council Tax by revisions to Council Tax Discounts and Exemptions. In addition

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scheme which can meet the requirements of DCLG in order that the Council can claim the transitional grant funding for 2013/14.

The main components of the scheme are as follows:-

- (a) The proposed option for Localised Council Tax Support scheme mirrors the current means tested scheme with adjustments as detailed below.
- (b) Those residents receiving council tax benefit (CTB) in the most vulnerable groups listed below will be protected:
- (i) Pensioners
 - (ii) Carers
 - (iii) Disabled People
 - (iv) Lone parents with children under 5
- (c) The reduction to Localised Council Tax Support (LCTS) for 2013/14 would be a maximum of 8.5% of benefit entitlement for those not in the protected groups.
- (d) There are limited other changes proposed to rules apart from:-
- Removal of backdating entitlement to benefit
 - Removal of entitlement to Second Adult Rebate
- (e) Removal of Council Tax Discounts and Exemptions
- (i) Class C Exemption Removal- Empty and Unfurnished Properties, this proposal will provide:-
 - Positive incentives that will promote a reduction in time that properties remain unoccupied.
 - Extra income which will help fund the proposed LCTS scheme and reduce the percentage reduction required from those receiving Council Tax support.
 - (ii) Second Homes Discount Removal, this proposal will provide:-
 - Extra income which will help fund the proposed LCTS scheme and reduce the percentage reduction required from those receiving Council Tax Support
 - (iii) Empty Homes Premium. The introduction of this premium where applicable will provide:-
 - Positive incentives to those with long term empty properties to encourage occupation.
 - Extra income which will help fund the proposed LCTS scheme and reduce the percentage reduction required from those receiving Council Tax support.
- (f) The advantages to this proposed scheme are:-
- (i) Those residents that are considered vulnerable are protected and those considered less vulnerable but claiming LCTS are asked to pay an amount which can be considered reasonable.
 - (ii) The changes proposed are easily understood by those residents who are affected by the changes and can be easily explained.

- (iii) The Localised Support Scheme would fulfil the underlying principles set out by DCLG to enable the Council to receive the transitional grant funding of £145,777.
- (iv) The impact of collection of additional council tax has been considered within the design of the scheme and it is considered that this scheme would minimise the risk to the larger preceptors.
- (v) There are a number of Council Tax Exemptions which would still apply for those where the property is empty in cases such as:-
 - Awaiting probate
 - Unoccupied due to previous occupier in permanent resident care
 - Left empty by someone receiving personal care
 - Left empty by someone providing personal care
 - Subject to a Repossession order
 - Undergoing major repair or structural alteration
- (vi) The removal of discounts together with Empty Homes Premium has a clear alignment with the Council's policy objectives to reduce the number of properties within the district which remain empty.

18. Other Options

- a) A number of options have been also considered as part of the design of the Localised Council Tax Support Scheme (LCTS) as detailed below:-
 - (i) Only consider applications from claimants with savings at an amount lower than the current limit of £16,000 e.g. £6,000
 - (ii) Restrict the level of support to the equivalent of a maximum Band e.g. Restriction to Band D
 - (iii) Increase reductions for non-dependants
 - (iv) Introduce minimum wage income level for self-employed
 - (v) Introduction of minimum benefit awards.
 - (vi) Reduce Class C Council Tax exemption to 1 Month only
 - (vii) Default Scheme as detailed by DCLG (Current Scheme)
- b) The advantages of some of these options are:-
 - (i) The most vulnerable groups are protected
 - (ii) Reductions to Council tax exemptions and or discounts are smaller than with proposed option
- c) The disadvantages of these options are:-
 - (i) Many of the options considered were not endorsed by the consultation.
 - (ii) Those who are not in the protected group for LCTS would suffer a reduction in assistance towards meeting council tax of between 30-50%.
 - (iii) These options would not give the Council the opportunity of applying for the DCLG transitional grant.

- (iv) The risk to preceptors is considered to be higher with the requirement to collect higher amounts of council tax from those in receipt of Council Tax Support.
- (v) The default scheme would not deliver the budget reduction in full and would have significant financial impacts for South Cambridgeshire District Council, Cambridgeshire County Council and other major precepting authorities. For the South Cambridgeshire collection fund the estimate the cost could exceed £1 Million based on information to date.

Implications

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| 19. | Financial | <p>Government funding for Localisation of Council Tax Support schemes will be cut by 10%. This funding will be based on 90% of forecast CTB expenditure for 2012/13. The funding will be a up-front allocation for all billing and major precepting authorities, and will not be ring fenced. The Council will not receive confirmation of the grant receivable until 20 December 2012 as part of the 2013/14 Formula Grant settlements.</p> <p>No account of unforeseen increased demand for support will be taken into account when allocating the grant. The proposed fixed grant to local authorities represents a significant financial risk, as it will not include any provision to manage increased take up which is likely to happen due to the number of new properties being built within South Cambridgeshire during the short and medium term.</p> <p>The Council will also receive funding for the administration of the new Council Tax Support scheme. There will be an increase in the administration costs for the Council of the new scheme and it is not clear whether this will be fully funded. The Council has received an initial implementation grant and administration grant but has not been given the details of any new burdens grant.</p> <p>The proposed scheme for Localised Council Tax Support that achieves a balance between delivering the expenditure reductions required and managing any adverse financial consequences on other council budgets, for example homelessness and, not least, the effect on council tax collection rates and the estimated increased cost of collection</p> |
| | Financial Continued | <p>The additional funding which has been allocated as part of the transitional grant scheme is for one year; this will mean the Localised Council Tax support scheme will need to be revised for 2014-15.</p> <p>The initial impact of introduction of the Localised Council Tax Support scheme and changes to Council Tax Exemptions and discounts will mean there will be considerable increased contact by those residents who are affected. It is estimated that additional cost of dealing with this increased contact could be £50k.</p> |

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| Legal | The introduction of the Local Scheme for Council Tax Support is as a result of the introduction of Local Government Finance Bill 2012 as at the date of writing this report this has not received Royal Assent. |
| Staffing | <p>The impact of introduction of LCTS will significantly increase in the numbers of customer who contact the Council. These contacts will need to be managed by the new internal Contact Centre and Benefits and Revenues teams and will provide a significant challenge.</p> <p>It is estimated that additional cost of dealing with the increased contact due to the proposed policy changes could be £50k.</p> |
| Risk Management | <p>The transfer from CTB to localised Support for Council Tax Support means the impact of increased demand and cost will be a risk for all major preceptors.</p> <p>The Council and its precepting partners will need to closely monitor local social and economic changes and ensure that there is a contingency for possible future shortfalls in funding. This may mean that the scheme designed needs to allow for these risks by designing a local scheme to allow for savings in excess of reduction.</p> |
| Equality and Diversity | The impact of the new scheme has been carefully considered during the design of the scheme. |
| Equality Impact Assessment completed | <p>The required Impact Assessments have been completed:</p> <p>LCTS – Partial assessment of the LCTS identified potentially adverse impacts in respect of the Protected Characteristics of Age and Rurality. The subsequent full assessment concluded that the scheme being recommended mitigated these impacts as far as reasonably practicable, given the requirement to implement an equitable and affordable local scheme. The partial assessment is available as a Background Paper to this report (see below).</p> <p>Council Tax Discounts and Exemptions: Initial screening of the Council’s proposals identified no adverse equality impacts; however, there is a need to conduct research into the equality profile of individual landlords in the district, which may identify potential impacts which warrant closer investigation. The consultation did not identify specific financial impacts on institutional landlords arising from the removal of the Class C Exemption which would have detrimental consequential effects on the service levels provided to vulnerable groups; should these subsequently come to light, the policy will be subject to further impact assessment.</p> |
| Climate Change | N/A |

Consultations

20. The Council led initial high level events in April 2012 for voluntary bodies, Citizen Advice Bureau, Tenants Participation Group and other organisations representing possible affected residents of South Cambridgeshire.
21. The Council has consulted with the major preceptors:-
 - a) Cambridgeshire County Council

- b) Cambridgeshire and Peterborough Fire Authority
- c) Cambridgeshire Police Authority

This consultation was in conjunction with all other billing authorities within Cambridgeshire except Peterborough City Council.

- 22. On 1 August 2012, the Council published its draft Localised Council Tax Support scheme combined with its consultation document. The Council held eight consultation events around the district which provided opportunity for residents and stakeholders to give the Council their views. These events were in addition to the normal channels of consultation, i.e. postal and online and face-to-face at the Council's Headquarters.
- 23. The Council's Revenues and Benefits Managers facilitated a benefit reform workshop at Scrutiny and Overview Committee in September to provide members of the Committee with a greater insight to the draft schemes which were the subject of consultation.
- 24. The results of the consultation have endorsed the proposals to:
 - a) Protect those the Council considered vulnerable:-
 - (i) People with Disabilities
 - (ii) Carers
 - (iii) Lone Parents
 - b) Continue to disregard incomes which help those most vulnerable:-
 - (i) Child Benefit
 - (ii) Child Maintenance
 - (iii) Disability Living Allowance
 - c) Give extra help to pay Council tax for those who claim LCTS for a limited period when they start work.
 - d) Increase the amount those with other adults in the household to pay towards the Council Tax.
 - e) Discontinue Second Adult Rebate for those whose income is too high to get council tax benefit in their own right.
 - f) Increase the amount of Council tax charged for those who currently receive discounts and exemptions for:-
 - (i) Empty Homes - Major repairs or structural alterations, recently completed
 - (ii) Empty Homes - Empty and substantially unfurnished
 - (iii) Empty Homes - Empty and substantially unfurnished for more than 2 years
 - (iv) Second Homes

There has been a small number of letters separate to the consultation document from those who currently receive discounts or exemptions which indicated that they did not agree with the above proposals.

- 25. The Council consulted on other proposals which included in the main asking people in receipt of benefit to pay more in the following circumstances:-

- a) High Council Tax band (Limit benefit to level based on smaller property, ie Band D)
- b) Not working (those working would receive more)
- c) Have savings but under £16,000 in total
- d) Self-employed who's net profit is less than the minimum wage

These proposals were not endorsed and were rejected by the majority of respondents.

26. It should be noted the consultation response was small and can only provide an indication of the opinion of residents in South Cambridgeshire with regard to the proposals.

Consultation with Children and Young People

27. The effect of these changes to policy is to working residents. The effect of the policy changes (changes to families with children) has been considered as part of the EQIA. It was considered that additional consultation was not required.

Background Papers: the following background papers were used in the preparation of this report: Localising Support: A Statement of intent, Localising Support for Council Tax: Funding Consultation, Localising Support for Council Tax: Vulnerable People-key local authority duties, Localising Support for Council Tax: Taking work incentives into account, Localising Support for Council Tax: Transitional grant scheme. Equality Impact Assessment, Feedback from consultation.

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