

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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REPORT TO: Council

31 January 2013

AUTHOR/S: Executive Director (Corporate Services)

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### LOCALISED COUNCIL TAX SUPPORT

#### Purpose

1. To consider the adoption of a Localised Council Tax Support Scheme.
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 which the decision relates, and
  - b) be significant in terms of its effect on communities living or working in an area comprising two or more wards.

#### Recommendation

3. That Council approve the draft Localised Council Tax Support Scheme, including the amendments proposed to current council tax discounts and exemptions, as set out at <http://modern.gov/documents/s69026/South%20Cambs%20S13a%20Scheme%20Complete%20v1%2083.pdf> pursuant to Section 13a(2) of the Local Government Finance Act 1992 (as amended).

#### Reasons for Recommendations

4. The Council is required to adopt a Localised Council Tax Support Scheme by the 31<sup>st</sup> January 2013. The proposed scheme, after taking account of the proposed amendments to current discounts and exemptions, is projected to meet the £1 million funding shortfall following the draft settlement announced on the 19 December 2012.
5. If Council fails to approve a local scheme, default arrangements will be imposed by the Department of Communities and Local Government. The default scheme effectively replicates the provisions of the current council tax benefit system, the impact of which would be that South Cambridgeshire and the other major preceptors would have to provide additional funding.
6. The draft Scheme will see over 75% of claimants protected to the level of support they currently receive. All claimants in the unprotected group will receive at least 91.5% of the support receivable under the current council tax benefit scheme. Inter alia, these provisions will meet the criteria for transitional support funding from the Department of Communities and Local Government.
7. The proposed Localised Council Tax Support Scheme was supported by the results of a comprehensive consultation process undertaken during the last year.

## **Background**

8. 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).
9. 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; this translates into a projected potential funding shortfall of circa £1 million for the major preceptors including the County Council and SCDC.
10. 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

The Government have indicated that, in addition, large increases to non-dependant charges for other adults would not be expected within any compliant scheme.

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 circa 6,700 residents who currently receive CTB within South Cambridgeshire; of those 54% are of pension age and 46% of working age. It is expected that the number of claimants will increase due to demographic shifts, the economic climate and the growth of properties within South Cambridgeshire.

## **Considerations**

13. 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 Council in the design of the new scheme. 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

14. Within South Cambridgeshire, 54% of current claimants are pensioners; which means that a 10% reduction in funding as indicated would see a significantly larger reduction in benefit to those of working age. Given the different population structures, the level of required reductions will vary in each local authority.
15. The proposed scheme can be facilitated by the Council's software provider which means additional data input will not be required. The core information required from claimants will remain the same.
16. The Council has been given an indicative allocation of funding in the draft settlement received on the 19 December 2012. The adopted scheme will, however need to make provision for the financial impact of variations in caseload and the collectability of the additional council tax from the unprotected claimant groups and owners of properties who will face higher council tax bills than currently. In the existing scheme, the Government is responsible for all of this financial risk.

### **Options**

17. The officers involved in this project have considered a number of options taking into account the information provided by the DCLG.

The proposed scheme, at

<http://modern.gov/documents/s69026/South%20Cambs%20S13a%20Scheme%20Complete%20v1%2083.pdf> enables the reduction in funding to be fully mitigated by small reductions in support for around 25% of claimants combined with increasing income from council tax by revisions to discounts and exemptions. It is anticipated that the scheme will meet the requirements of DCLG so that the Council can claim the transitional grant funding for 2013/14.

The main components of the scheme are as follows:-

- a) Those residents receiving council tax benefit (CTB) in the most vulnerable groups listed below will be fully protected:
  - (i) Pensioners
  - (ii) Carers
  - (iii) Disabled People
  - (iv) Lone parents with children under 5
- b) The reduction to Localised Council Tax Support (LCTS) will be capped at a maximum of 8.5% of benefit entitlement for those not in the protected groups.
- c) Removal of Council Tax Discounts and Exemptions
  - (i) Removal of Exemption for Class C Properties (Empty and Unfurnished for up to 6 months)

this proposal will provide:-

    - Positive incentives that will promote a reduction in time that properties remain 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) Removal of 10% Discount for Second Homes,  
 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.
    - Provide a positive incentive for such properties to be brought into full-time occupation.
  - (iii) Introduction of an Empty Homes Premium so that properties that remain empty after 2 years are liable for an additional 50% charge to council tax.  
 The introduction of this premium will provide:-
    - Positive incentives to those with long term empty properties to encourage occupation.
    - A small amount of additional income which will help fund the proposed LCTS scheme and reduce the percentage reduction required from those receiving Council Tax support.
- d) The other limited changes proposed are:
- Removal of backdating entitlement to benefit
  - Removal of entitlement to Second Adult Rebate except for those who receive more than 25% of Council Tax Liability

The advantages of this 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 could 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 on collection rates has been considered within the design of the scheme and it is considered that this scheme will minimise the risk to the major preceptors.
- (v) There are a number of Council Tax Exemptions which will still apply for empty properties that are:-
  - Subject to probate
  - Unoccupied due to previous occupier being in permanent residential 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 for short term empty homes together with the empty homes premium has a clear alignment with the Council's policy objectives within its Empty Homes Strategy of reducing the numbers of empty homes.

18. Cabinet at its meetings in July and November 2012 and January 2013, together with a Scrutiny and Overview workshop in September 2012 and the full Committee in January 2013, considered a number of alternative options for the design of a local scheme. Scrutiny and Overview Committee, at its January meeting, endorsed the proposed scheme, a decision that was followed by Cabinet on 14 January 2013.
19. Following these considerations the draft proposals have been converted into the formal scheme to be found at <http://modern.gov/documents/s69026/South%20Cambs%20S13a%20Scheme%20Complete%20v1%2083.pdf>. Given the technical nature of this document, that no alternative options were proposed and, that Council's consideration is right against the statutory deadline, Council has only been presented with this formal scheme for consideration. Should members wish to propose any amendments to this scheme, they are strongly urged to liaise with the Benefits Manager or Executive Director at the earliest point to ensure any proposals can be fully considered and evaluated.

### Implications

20.	Financial	<p>Government funding for Localisation of Council Tax Support schemes has been based on 90% of forecast CTB expenditure in 2012/13. The funding will be provided as an up-front allocation for all billing and major precepting authorities, and will not be ring fenced. In broad terms, this is estimated to represent a £1 million shortfall over the current scheme in 2013/14.</p> <p>No account of increased demand for support was taken into account in allocating this funding. 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 forecast demographic changes and 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. The Council has received an initial implementation grant together with new burdens funding it is unclear if this funding will be sufficient to cover the increased costs of administration.</p> <p>The Council has designed a new Council Tax Support scheme 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>
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Financial Continued	<p>The additional funding which has been allocated as part of the transitional grant scheme is for one year; this will mean that the Localised Council Tax Support Scheme will need to be reconsidered 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 currently estimated that the additional cost of dealing with this increased contact will be circa £50k. Provision has been set aside from savings against existing budgets and “new burden” grants to cover this cost.</p>
Legal	The introduction of the Local Scheme for Council Tax Support is as a result of the introduction of Local Government Finance Bill 2012 The Bill has now gained Royal Assent.
Staffing	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. Plans are being drawn up for temporary staff resources to be employed to manage this within the resources identified above.
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 has meant that the scheme design needs to allow for these risks by allowing for savings in excess of the explicit reduction in funding.</p>
Equality and Diversity	The impact of the new scheme has been carefully considered during the design of the scheme.
Equality Impact Assessment completed	A Full EQIA has been completed
Climate Change	N/A

### Consultations

21. 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.
22. 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.

23. The Council published on the 1<sup>st</sup> August 2012 its draft Localised Council Tax Support scheme combined with its consultation document. The Council held eight consultation events held 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.
24. 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.
25. The Council's Scrutiny and Overview Committee considered the proposals of the scheme at its meeting in January 2013. The Committee supported the recommendation to Council that it adopts the proposed Council Tax Reduction Scheme.
26. 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) The continuation to disregard incomes which help those most vulnerable:-
    - (i) Child Benefit
    - (ii) Child Maintenance
    - (iii) Disability Living Allowance
  - c) Give extra help to pay their Council tax for those who claim LCTS for a limited period when they start work.
  - d) Increase the amount those will 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 with current receive discounts and exemptions for :-
    - (i) Empty Homes- Empty and substantially unfurnished
    - (ii) Empty Homes- Empty and substantially unfurnished for more than 2 years
    - (iii) Second Homes

There were 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 these proposals.

27. The council also consulted on proposals which would see those in receipt of benefits to pay more in the following circumstances:-
  - a) Those living in high council tax band properties
  - b) Not working (those working would receiving more)

- c) Those who have savings but less than £16,000 in total.
- d) Self-employed who's net profit is less than the minimum wage

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

28. 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**

29. The effect of these changes to policy is to working age 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.

### **Effect on Strategic Aims**

30. The adoption of the Council Tax Support Scheme will provide in part the financial resources for the Council to continue to deliver services and achieve its corporate objectives as far as possible within the current financial constraints.

**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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