

RESOURCES SCRUTINY PANEL

19th July 2012

LOCAL COUNCIL TAX SUPPORT

Report of the Strategic Director for Resources

STRATEGIC AIM:	All
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1. PURPOSE OF THE REPORT

- 1.1 To introduce and report on the development of the Local Council Tax Support scheme that must be adopted and approved to replace the existing Council Tax Benefit scheme from April 2013.

2. RECOMMENDATIONS

- 2.1 That the Scrutiny Panel notes the suggested time line for the development of the Local Council Tax Support Scheme.
- 2.2 That the Scrutiny Panel notes the consultation as detailed.
- 2.3 That the Scrutiny Panel notes the intention for an all member briefing/ workshop on data presented by Coactiva Asprien Ltd.

3. LOCAL COUNCIL TAX SUPPORT SCHEME TIMELINE

- 3.1 From April 2013, the Government has abolished Council Tax Benefit (CTB). Every council will have to replace CTB with a new local scheme called Local Council Tax Support (LCTS)
- 3.2 The Government is giving councils less money to pay for their new LCTS schemes compared with existing CTB subsidy. The national planned cut will be around 10% of the current expenditure; however the indicative funding figures for Rutland suggest a cut of 20% based on current claimant numbers.
- 3.3 The position:
- i. CTB is presently paid to help households on low incomes. It is a means tested benefit and is administered by local councils using rules set nationally by the Government. CTB is not paid to the claimant; instead the Council Tax bill is reduced.
 - ii. Anyone who currently receives CTB is likely to qualify for less help under the new arrangements. Pensioners are fully protected from the impact.
 - iii. The Government thinks that these savings could be achieved by a number of measures including: making savings in the cost of other services, generation of additional revenue, reducing the level of LCTS to working age persons.

- 3.4 The present cost of CTB for Rutland is £1.87m per annum; this is paid to 1,929 CTB claimants. Indicative numbers issued by the Government show that the grant allocation for 2013/14 will be £1.441m this is a reduction of £435,000. As already highlighted pension age claimants will be protected therefore this saving would need to be delivered through changes to the scheme for working age claimants only. Pensioners make up 58% of the caseload, meaning there will be a disproportionate burden on work age claimants.
- 3.5 The Government has considered that long term empty homes are unacceptable in light of the pressures on Housing. Homes become empty for a wide range of reasons such as death of the occupier, residents moving away for work or the property falls into disrepair. Under current arrangements a property owner can benefit from an exemption for 12 months for Class A – uninhabitable, and for 6 months for Class C – unoccupied or unfurnished. The Government is proposing to change these exemptions into discounts and permit local authorities to determine the rate of discount in the range of 0% to 100%. Setting a discount rate below 100% may act as an incentive for owners to bring dwellings back into use to avoid paying additional council tax.

Class	Number of dwellings	Amount of revenue generated at 50% discount rate
Class A	62	£33,829
Class C	647	£181,607

- 3.6 Rutland has been working with all Leicestershire authorities including the Fire and Police precepting authorities to develop a draft scheme and to implement it by no later than 31st January 2013. This work is being undertaken under the direction of the Leicestershire Treasurers Association (LTA), a Programme Manager has been appointed to ensure the schemes are delivered on time.
- 3.7 The time line for developing and adopting a LCST scheme is limited and it should be noted that draft regulations are not yet available. The proposed time line is as follows:

Action	Date
8 week consultation commences	30/7/2012
Consultation ends	21/9/2012
Draft Scheme to Cabinet	02/10/2012
Draft Scheme to full Council	08/10/2012
Final Scheme to full Council	12/11/2012
Council Tax Base Setting	20/11/2012 tbc
Council Tax setting	18/2/2013
Annual Billing	19/2/2013
Bills dispatched	13/3/2013
LCTS commences	1/4/2013

- 3.8 In order to derive the level of savings required, modelling exercises have been undertaken and will continue to be developed to provide members with a range of options for inclusion or exclusion in the draft policy.
- 3.9 To obtain this modelling data we are working jointly with other Leicestershire authorities and with an external company called Coactiva Aspirien Ltd who have

considerable expertise in mapping welfare data. We are also able to produce and augment this work with our own modelling tool provided by Civica.

3.10 The draft models that are being investigated are:

1. The default scheme. The Government will provide a default scheme in the event of non adoption of a local scheme. This will result in a financial burden to the authority.
2. Council Tax eligibility set at between 75-90% with the ability to vary the taper, additional pick and mix range of other options and the reduction of council tax exemptions in class A and class C to 50%.

3.11 **Appendix A** indicates the indicative savings for the options. Option 2 will allow members to choose from a range of options. This option will also allow for variation to the level of eligibility e.g. 82% instead of 80% and the tapers e.g. 23% instead of 20% according to local variations. This enables members to make changes from one year to the next without revisiting the whole of the scheme.

3.12 The Government has required that Councils protect vulnerable groups, but has not prescribed any groups. The options are:

- i. Do not offer any discretionary funding to alleviate poverty or hardship, which could result in numerous appeals and impact upon collection rates
- ii. Permit access to funding via section 13A Scheme (property based financial hardship scheme), which currently exists but is not utilised
- iii. Set up a discretionary fund to enable the most vulnerable to apply for additional Council Tax Support

3.13 In order to meet the Government's requirements: a discretionary fund would address vulnerability and those with the most hardship in our community on a case by case basis, thus enabling signposting to other support or advice services. Precepting bodies would also be asked to fund this pot.

4. CONSULTATION

4.1 The Council is required to consult with all preceptors in relation to its LCTS plans; this includes the Fire, Police and Parish councils in our area. To fulfil this requirement the major preceptors are meeting regularly to help to design the scheme. A formal consultation letter will also be drafted to consult preceptors, this will include their views on mitigation strategies i.e. absorption of the reduction to soften the blow.

4.2 Wider consultation with the public will take place from end -July to mid-September in line with requirements. Consultation is kindly being hosted by Leicester City Council on behalf of all partners. The results of the consultation will inform members in making their final policy decisions on 12th November 2012.

4.3 Consultation questions have been devised based on CTB scheme and potential areas of change based on the options available. The questions will be supported with an overview of the proposed draft scheme, explanations of the questions being asked and examples relating to Rutland.

4.4 The consultation questions are as follows:

	Question	Response
1	Do you think that all people, apart from pensioners should pay a minimum of 20% towards their Council Tax?	Yes /No /Don't know
2	Should people who receive Council Tax Support who are living in properties with a higher council Tax charge be asked to pay more?	Yes /No /Don't know
3	Should people receiving Council Tax Support be given extra support, for a limited period to help pay their Council Tax when they start work?	Yes /No /Don't know
4	Where someone earns more than the amount the benefit calculation says they need, their benefit is reduced by 20p for each £1 extra that they earn. Should this be increased? If yes, what deduction do you think would be reasonable?	Yes /No /Don't know 25p/30p/35p
5	If other adults live with the person claiming Council Tax support (and their partner if any), should those adults be asked to pay more towards the Council Tax bill? If yes, what exceptions should there be to this?	Yes /No /Don't know Freeform
6	Second Adult Rebate is awarded to Council Tax payers who are not entitled to Council Tax support based on their own income but receive a rebate of up to 25% of their bill because they have other adults on a low income living with them. Should this benefit be stopped?	Yes /No /Don't know
7	Should people with savings of less than £16,000 be asked to use these savings to pay their Council Tax? If yes, is there an amount of savings below which people should <u>not</u> be asked to use them to pay their council Tax?	Yes /No /Don't know £3,000/£6,000/ £10,000/£16,000
8	Should the council protect the most vulnerable from paying more? (Communications team to expand this)	Yes /No/Don't know
9	Do you think that people who do not make reasonable steps to support themselves should have their council Tax Support reduced or stopped?	Yes /No/Don't know
10	Should people on low wages get extra help to pay their Council Tax?	Yes /No/Don't know
11	Have you got any other comments that you wish to make about these changes?	Freeform

4.5 **Appendix B** is a draft booklet of information that will sit alongside the consultation questions. The booklet will provide information about the changes along with some models and examples. This booklet will be reviewed by the communications team who will add images to make the document more appealing and user friendly.

5. MEMBER WORKSHOP

- 5.1 Coactiva Asperien Ltd are able to present their data and findings at a workshop for members. The purpose of the workshop would be to view the analysed benefit data for Rutland and to obtain information to enable a final scheme to be determined later in the year.

6. OTHER RELEVANT CHANGES

- 6.1 The present welfare system is undergoing extensive review and change. The above report, details only one element of the changes. However, other changes will also have an impact upon the community. The chart below details the other changes and the timeline.
- 6.2 The proposed Technical Reform of Council Tax does offer the Council an opportunity to increase revenue from Class A and Class C exemptions along with changing a premium on long term empty homes. Members may wish to consider this option.

Reform	Current situation	Future Scheme	Key dates	Impact on residents
Localisation of Council Tax Support	Council Tax benefit funds up to 100% of liability	Local council Tax Support will fund less than 100% of liability	April 2013	Significant Reduces help to local residents, reduces council income
Technical reform of Council Tax	Class A exempt for 12 months & Class C exempt for 6 months	Local discretion of amount of discount from 0% to 100%	April 2013	Medium Could partially offset some losses but extra administration
Localisation of Business Rates (NNDR)	NNDR wholly revenue for exchequer	NNDR partially retained if growth delivered or lost if NNDR base reduced	April 2013	Medium Council takes on potential risk of variations in NNDR base
Housing Benefit reforms	Current HB funds up to 100% of the market rent	HB reductions and capping and under-occupancy capping	April 2013	Significant Risk of homelessness and poverty
Universal Credit	Wide range of national benefits may be claimed	UC will replace eight existing benefits into one single claim	October 2013 to April 2017	To be determined Insufficient data at this time

5. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	High	A scheme must be approved by 31 st January 2013 in order to comply with requirements. The timeline is extremely tight.
Viability	Medium	Shared working, including preceptors will increase the viability of delivering a working scheme within the challenging timetable set out by Government.
Finance	High	The Government will provide a default scheme in the event of non adoption of a local scheme. This will result in a financial burden to the authority.
Profile	High	The agenda for welfare reform is attracting national media attention and scrutiny from pressure groups and the third sector
Equality and Diversity	Medium	A full EIA will be required. The impact on all groups will need to be considered prior to and during adoption of a scheme

Background Papers

None

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