

SOUTH HOLLAND DISTRICT COUNCIL

- Report of:** Deputy Leader and Portfolio Holder for Strategic Finance and Democratic Services, Portfolio Holder for Internal Services, Performance and Business Development and the Assistant Director of Commissioning
- To:** Cabinet - 15 January 2013
- (Author:** Rob Walker, Assistant Director of Commissioning and Sharon Hammond, Delivery Manager (Benefits), CPBS)
- Subject:** Local Council Tax Support Scheme 2013/14
- Purpose:** To seek agreement and recommend to Council that a new Local Council Tax Support Scheme is adopted and technical changes are made regarding the collection of Council Tax. Furthermore, Cabinet are asked to determine whether an application should be made for a Transitional Grant and that the draft Local Council Tax Support scheme is amended to reflect the grant scheme criteria.

Recommendation:

That it be determined whether an application is made for a Transitional Grant and that the draft Local Council Tax Support scheme is amended to reflect the grant scheme criteria.

Recommendations to full Council:

That the new Local Council Tax Support Scheme is agreed; and

That that technical changes are made to the collection of council tax.

1.0 BACKGROUND

- 1.1 The Welfare Reform Act abolishes Council Tax Benefit and replaces it with a Local Council Tax Support scheme (LCTS). The new Local Government Finance Act and accompanying regulations set out how Councils must create a LCTS scheme, removing much of the existing complex legislation.
- 1.2 LCTS schemes must be adopted by 31 January 2013 for implementation from 1 April 2013.
- 1.3 From 1 April 2013, the majority of council tax 'awards' made in South Holland will be based on criteria set and administered by this Council as the local billing authority.

- 1.4 The Act and regulations direct how authorities will support pensioners, with little change to the way their entitlement is presently decided. The changes will directly impact most on those working age claimants currently in receipt of Council Tax Benefit.
- 1.5 South Holland District Council was required to undertake formal consultation on a draft LCTS scheme with the major precepting authorities (i.e. Lincolnshire County Council and Lincolnshire Police Authority) and those directly affected by the changes. This consultation was undertaken (and completed in November 2012) following a report to Cabinet and delegation to the Leader and Chief Executive.
- 1.6 Following Government's announcement on 19 December 2012 regarding the Local Government Grant Settlement, the funding awarded to support South Holland's LCTS scheme in the financial year 2013/14 is £584,000. A reduction of 7.15% and £45k on the amount made available to fund Council Tax Benefit in 2012/13.
- 1.7 The Department for Communities and Local Government made available - in October 2012 - an additional £100m for one year to support local authorities in developing well-designed council tax support schemes and maintain positive incentives to work (Transitional Grant).

2.0 ISSUES

2.1 Funding

- 2.1.1 The major precepting authorities will share the financial risks associated with LCTS. Representatives from all the Lincolnshire billing authorities and Lincolnshire County Council have been working together on the development of local schemes and this is reflected in the proposals in this report.
- 2.1.2 It is estimated the Council will pay Council Tax Benefit of £5,753,461 this year (2012/13).
- 2.1.3 Currently, Government Subsidy meets the full cost of Council Tax Benefit. From 1 April 2013, the Government will be providing a fixed grant which will be paid to billing and major precepting authorities.
- 2.1.4 As detailed above, the funding awarded to support South Holland's LCTS scheme in 2013/14 is £584,000. A reduction of 7.15% and £45k.
- 2.1.5 This funding gap can be met in a number of ways, notably: 1) funding the existing level of council tax 'benefit' and making savings from elsewhere in the authority; 2) making savings through the LCTS scheme and reducing the level of council tax support given to those of working age; 3) realising additional income through technical changes to council tax on second homes and vacant/empty properties; or 4) a combination of the above.

2.2 Council Tax Technical Changes

2.2.1 Government proposals, confirmed now in new regulations, allow billing authority's greater discretion over applying discounts and exemptions to certain categories of property from April 2013.

2.2.2 Two classes of dwelling are removed from 1 April 2013 so that they are no longer exempt from council tax. Billing authorities can replace them with a discount of up to 100%. For class A the discount will apply for one year. For Class C the discount level and period can vary.

- Exempt Class A – relates to a vacant dwelling where major repair or structural alterations are required, underway or recently completed. Currently a customer would receive 100% exemption for up to 12 months.
- Exempt Class C – relates to vacant dwellings, unoccupied and substantially unfurnished. Currently a customer would receive a 100% exemption for 6 months.

2.2.3 Government proposals, also confirmed in regulations, contain provision for : -

- Introduction of an empty homes premium of 50%, introducing a charge of 150% for properties that have been unoccupied for a period of 2 or more years.
- Removal of the current minimum 10% discount for empty furnished, second homes.

2.2.4 The Leader and Chief Executive under delegated powers determined that consultation should be carried out on the following proposed changes: -

- Replace Class A exemption with a 25% discount, lasting for the duration of 12 months.
- Replace Class C exemption with a 100% discount for one month, then a 0% discount for the remaining five months
- Introduce a premium of 50%, resulting in a 150% council tax liability for properties that have been unoccupied for a period of 2 years or more.
- Replace current 10% discount on furnished empty/second homes with a 0% discount.

2.2.5 Evaluation of the responses reveals broad support for each. Further detail on the Consultation approach and results can be found below.

2.2.6 These changes will generate additional income for the council and go some way towards meeting the funding gap created by the government change to the council tax benefit system. It should be recognised that there will be an impact upon owners and landlords of empty properties in terms of increased liability for council tax, along with an increased cost in collection and bad debt provision. The changes will though support South Holland's wish to bring empty properties back into use.

2.3 Council Tax Support Scheme

2.3.1 A range of model options were presented to Cabinet in a report on 24 July 2012. Under delegated authority, the Leader and Chief Executive determined the scheme on which to consult. The scheme proposal had the following characteristics: -

- **Protection for : -**
People over pension age (as prescribed by Government)
All War Disablement Pensioners and War Widowers
- **People of working age will receive less support with their Council Tax**
A reduction in the level of Council Tax Support awarded for all working age customers, except those protected, so that they may only receive 75% of the calculated entitlement amount.
- **People with children, disabilities or caring responsibilities will be supported**
Retain the core features and continue to apply the wide range of provision in the current council tax benefit scheme that recognise the additional needs of the disabled, those with children and those with caring responsibilities.
- **Incentives to work will be supported**
Retain provision within the current council tax benefit scheme, thereby maintaining the rate at which support is withdrawn as income increases.

2.3.2 The consultation questionnaire sought views on the South Holland District Council proposed changes. Evaluation of responses reveal broad support for the proposals around incentive to work, and also that a review should be undertaken for 2014 as a result of implementation of Universal Credit.

2.3.3 In contrast however, responses to the consultation on the proposals to reduce support for all working age claimants to 75% of entitlement resulted in a close margin with 43% agreeing, and 45% disagreeing. Main themes emerging from the feedback were around disabled, poverty and those on low income and ability to pay.

2.3.4 Details of the approach to consultation and analysis of responses are contained below.

2.4 Consultation

2.4.1 The localisation of Council Tax Support required the district council to consult with major precepting authorities, those who were likely to have an interest in the scheme and with the general public.

2.4.2 The major precepting authorities have been involved in discussions across Lincolnshire for several months, and as required in legislation Lincolnshire County Council and Lincolnshire Police were formally invited to comment on South Holland's scheme proposals as part of the consultation process.

2.4.3 Consultation ran from 28 September 2012 to 16 November 2012.

2.4.4 A range of consultation methods were used to obtain the views of interested parties. These included: -

- Letter to major precepting authorities
- Scheme documentation and consultation questionnaire on line at www.sholland.gov.uk
- Press release
- Letter to all Working Age claimants, (over 3,000)
- Hard copy questionnaires made available in Customer Services, Libraries
- Letter to parish clerks
- Emails to stakeholders (CAB, CVS, letting agents)

Customers were also given access to an online calculator which allowed them to model the impact of the proposed changes based on their personal circumstances; this tool compared current council tax benefit entitlement with proposed Council Tax Support entitlement.

2.4.5 A total of 87 responses were received. It is recognised that this is a very low response rate, and as such the results cannot be wholly relied on as being fully representative of respondent views or to be statistically significant. However, the methodology, approach and responses are sufficient to demonstrate that a full and valid consultation has been completed. The comments that respondents submitted have helped scrutinise the proposed changes.

2.4.6 Lincolnshire County Council highlighted ongoing financial pressures faced by their organisation and stated they had no desire to make additional service reductions to fund the shortfall. They would however prefer additional income generation to take precedence over benefit reductions.

2.4.7 Lincolnshire Police also highlighted major ongoing funding pressures and supports proposals for Council Tax Support schemes which eliminate or at least minimise the funding reductions imposed as a result of these changes.

2.4.8 The responses from the public consultation are summarised in the table below. The full consultation report is attached at Appendix B.

	No reply	Agree	Disagree	No Opinion
Replace Class A exemption (unfurnished and undergoing major structural repair) with a 25% discount for up to 12 months	6%	69%	22%	3%
Replace Class C exemption (unoccupied and empty properties) with a 100% discount for one month, then a 0% discount for the remaining period up to 6 months.	5%	63%	31%	1%
Introduce an additional 50% council tax on properties left empty and unoccupied for two years or more	5%	75%	18%	2%
Remove the 10% discount on empty furnished/second homes	3%	88%	8%	1%
Continue to discount earnings for working age who are in work	6%	77%	10%	7%
Cap the level of Council Tax Support award to 75% of entitlement for working age customers.	6%	43%	45%	6%
Review the Council Tax Support scheme again in 2014	5%	68%	20%	7%
Adequate opportunity to contribute to this consultation	7%	64%	16%	13%

2.4.9 As anticipated a key theme emerging from the consultation is around poverty and inability to pay. To maximise support for residents affected by these changes, it is proposed that liaison meetings will be arranged with support organisations including CAB to ensure individuals can access assistance with debt and budget management.

2.4.10 A number of responses also indicated that those who are disabled should be protected. Under the scheme proposals the limit of 75% will apply equally across all working age claimants; however retention of the features of the current calculation for Council Tax Benefit will ensure that the higher needs of this group will continue to be recognised in the assessment of entitlement through additional premiums etc. This provision applies equally to those households with children, and carers.

2.5 Transitional Grant Scheme

2.5.1 The Department for Communities and Local Government has made available an additional £100m for one year to support local authorities in developing Local Council Tax Support schemes.

2.5.2 The grant will be payable in March 2013 to those local authorities who adopt schemes that comply with criteria set by Government.

2.5.3 To apply for a grant, South Holland Council – as a billing authority - must adopt a scheme which ensures 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.

2.5.4 Funding will be payable to billing authorities whose schemes satisfy the criteria and their major precepting authorities, as an un-ringfenced specific grant. The distribution of this funding for South Holland is as follows: -

South Holland D C	£17,856
Lincolnshire County Council	£102,422
Lincolnshire Police	£17,914

2.5.5 Applications can only be made after the deadline for adopting schemes on 31 January 2013.

2.5.6 The draft local council tax scheme that formed the basis for consultation does not meet the above criteria. Notably, the council tax liability of those currently receiving 100% support was not capped at 8.5%. That said, the draft scheme [with the exception of the 8.5% maximum liability] is largely consistent with the criteria for the transition grant.

3.0 OPTIONS

3.1 Council Tax Support

3.1.1 Do nothing. If the Council does not adopt a LCTS scheme based on agreed local criteria then the Government's "default scheme" will be implemented.

- 3.1.2 To agree and recommend to Council that the draft Local Council Tax Support scheme – which formed the basis of consultation – is finalised and adopted in South Holland.
- 3.1.3 To apply for a Transitional Grant and amend the draft Local Council Tax Support scheme to reflect the grant scheme criteria.

3.2 Technical Changes

- 3.2.1 Do nothing. If the Council does not make technical changes to Council Tax exemptions then the funding shortfall will have to be met by the Local Council Tax Support scheme with less support for working age claimants.
- 3.2.2 To agree and recommend to Council that technical changes are made to the collection of Council Tax in line with the other billing authorities in Lincolnshire and in agreement with Lincolnshire County Council. Therefore, to proceed with the technical changes outlined in this report, and which received broad support through the consultation process: -
- a) Replace Class A exemption with a 25% discount, lasting for the duration of 12 months.
 - b) Replace Class C exemption with a 100% discount for one month, then a 0% discount for the remaining five months
 - c) Introduce a premium of 50%, resulting in a 150% council tax liability for properties that have been unoccupied for a period of 2 years or more.
 - d) Replace current 10% discount on furnished empty/second homes with a 0% discount. This proposal received broad support in consultation. This change would bring the council tax charge in line with vacant unfurnished homes, but could result in losing visibility of second homes in the district

4.0 REASONS FOR RECOMMENDATION

- 4.1 It is recommended that Cabinet agree a new Local Council Tax Support Scheme and recommends it to Council for adoption.
- 4.2 It is further recommended that Members determine whether a Transitional Grant is applied for and whether to amend the draft Local Council Tax Support scheme to reflect the grant scheme criteria.
- 4.3 Please note: the new criteria are largely consistent with those consulted upon; the only difference being 8.5% limit on increased council tax liability. In applying for the grant, South Holland Council will minimise the impact on benefit recipients, for at least one year, of reductions in council tax support.

- 4.4 There are a number of different criteria which could be used to deliver a cost neutral scheme. Other billing authorities are expected to agree some different arrangements reflecting their own local circumstances. The proposals put forward here largely reflect the current policies for the award of council tax benefit but reflect the reduced level of funding available by capping the maximum award [in line with the Transitional Grant Criteria].
- 4.5 To deliver the required saving from changes to the Council Tax scheme alone, without the Transitional Grant and with no income from technical changes to Council Tax exemptions, would lead to a reduced level of support across all working age claims.
- 4.6 It would be possible for the Council to meet the shortfall in funding from the Council's budget. However, this would also create a pressure on the other major precepting authorities' budgets and the approach agreed across Lincolnshire has been to produce a scheme which is expected to be cost neutral.

5.0 IMPLICATIONS

5.1 Constitution and Legal

5.1.1 It is a statutory requirement to set out the LCTS scheme in a policy document which details the 'rules' of the scheme. This needs to be approved by Council. Detail on the changes required to the current policy to meet the requirements of the consulted scheme are provided in the appendices.

5.1.2 If Cabinet decided to recommend to Council that the scheme is changed to reflect the transitional grant scheme requirements then a new draft policy will be completed prior to Council.

5.2 Risk Management

5.2.1 As highlighted in the body of the report there are a number of financial risks associated with the proposed introduction of the LCTS scheme. Once the Council has set its policy, it cannot be changed until the following financial year (2014/15). This, therefore, makes it essential to closely monitor LCTS scheme and the impact on collection rates.

5.3 Financial

5.3.1 The funding implications regarding this report are dealt with above.

5.3.2 The shortfall in funding will be borne by the major precepting authorities in proportion to their current precept size. The recommended scheme covered by this report, alongside the Transitional Grant and income from technical changes is intended to deliver a cost neutral scheme.

5.3.3 With particular regard to South Holland District Council, the funding awarded for the financial year 2013/14 is £584,000. A reduction of 7.15% and £45k on the amount made available to fund Council Tax Benefit in 2012/13.

5.3.4 The draft LCTS scheme, upon which we consulted, assumes a fully funded scheme from reductions in support and the introduction of technical changes.

5.3.5 Financial Projects for South Holland District Council.

Council Tax Reforms: Technical Changes Additional Income (Estimate): -

Second Homes (0% discount)	£2,240
Long Term Empty Properties (50% premium)	£16,360
Class A - 25% discount for 12 months	£3,000
Class C - 100% discount for one month, then zero	£10,880
Premium on long-term empties (150%)	£3,260
Total	£35,740

Consulted Scheme

Cost of new scheme	£576,161
Government Grant	£584,000
Total Cost	£7,839

Scheme that meets criteria for transitional grant funding

Cost of new scheme	£617,808
Government Grant	£584,000
Transitional Grant	£17,856
Total Cost	£15,952

5.4 Timescales

5.4.1 As detailed in the body of the report. Adoption of Policy by 31 January 2013 and scheme implementation from 1 April 2013. Transitional Grant applications to be made after 31 January 2013.

5.5 Equality and Diversity

5.5.1 An Equality Impact assessment (EIA) has been carried out of the draft policy in preparation for this report, and is attached as an appendix to this report.

5.6 Stakeholders / Consultation

5.6.1 The Local Government Finance Bill set out that billing authorities had to hold a public consultation on LCTS proposals. This consultation was completed as detailed in the body of the report in line with requirements of the Bill.

5.6.2 If Cabinet/Council agree and adopt a Local Council Tax Support scheme that is consistent with the requirements of the Transitional Grant arrangements, they will be adopting a scheme that was not consulted upon.

5.6.3 The “transitional grant” scheme is largely consistent with the draft scheme consulted upon. The major disparity is that under the “transitional grant” scheme those who would be entitled to 100% support under current council tax benefit arrangements will pay no more than 8.5% of their net council tax liability; under the draft scheme consulted upon, residents may have had to pay up to 25% of their net council tax liability.

5.6.4 It is not proposed that re-consultation is necessary as the impact on benefit recipients of the “transitional grant” scheme is less than it would be if the draft scheme was implemented. Furthermore, there was support during the consultation to limit the cap on the maximum award and minimise impact on working age claimants.

5.7 **Contracts**

5.7.1 The implication has been considered and it is the view of the report writer that there are none.

5.8 **Crime & Disorder**

5.8.1 The implication has been considered and it is the view of the report writer that there are none.

5.9 **WARDS/COMMUNITIES AFFECTED**

5.9.1 All.

Background papers:- None

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Key Decision: Yes

Exempt Decision: No

Appendices attached to this report:

Appendix A - Changes required to current policy for consulted scheme

Appendix B – Full Equality Impact Assessment Pro Forma