

BRECKLAND DISTRICT COUNCIL

Report of William Smith, Executive Member for Internal Services

To: Cabinet, 8 January 2013

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Subject: **LOCAL COUNCIL TAX SUPPORT SCHEME 2013/14**

Purpose: The purpose of this report is to seek Cabinet's agreement and recommendation to Council that 1) a new Local Council Tax Support Scheme is adopted; 2) a Transitional Grant is applied for; and, 3) technical changes are made regarding the collection of council tax.

Recommendation(s):

- That Cabinet agree and recommend to Council the new Local Council Tax Support Scheme;
- That Cabinet agree and recommend to Council that 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.
- That Cabinet agree and recommend to Council that technical changes are made to the collection of council tax.

1. 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 Breckland 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 no change to the way their entitlement is presently decided. The changes will directly impact on those working age claimants currently in receipt of Council Tax Benefit.
- 1.5 Breckland Council was required to undertake formal consultation on a draft LCTS scheme with the major precepting authorities (i.e. Norfolk County Council and Norfolk 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 Breckland's LCTS scheme in the financial year 2013/14 is £357,073. A reduction of around 11.4% and £45,980 on the amount made available to fund Council Tax Benefit in 2011/12.

- 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).
- 1.8 Breckland Council can apply for a Transitional Grant of £17,841 should the LCTS meets the prescribed criteria.

2. ISSUES

Funding

- 2.1 The major precepting authorities will share the financial risks associated with LCTS. Representatives from all the Norfolk billing authorities and Norfolk County Council have been working together on the development of local schemes and this is reflected in the proposals in this report.
- 2.2 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.
- 2.3 As highlighted above, the funding awarded to support Breckland's LCTS scheme in the financial year 2013/14 is £357,073. A reduction of around 11.4% and £45,980 on the amount made available previously. Norfolk County Council and Norfolk Police Authority have been impacted in a similar fashion.
- 2.4 This funding gap (11.4%) 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.
- 2.5 Further financial and funding information is provided in the attached Proforma B.

Draft Scheme and Consultation

- 2.6 Consultation was undertaken on a draft LCTS scheme. A written and online survey was made available to all Breckland residents with a targeted approach to those directly affected. Furthermore, a demographically representative survey was also conducted on our behalf by BMG. Formal written consultation was undertaken with Norfolk County Council and the Norfolk Police Authority to supplement the regular meetings described above.
- 2.7 There were 258 responses to the written and online survey; 333 people responded to the demographically representative survey (response rate 48%). A formal written response was received from Norfolk County Council and the Norfolk Police Authority.
- 2.8 The draft LCTS scheme that formed the basis of this consultation had the following key components:-
- Parents with dependent children living with them are currently allowed to have a higher amount to live on before their benefit is reduced. This would continue under the draft LCTS scheme.

- People who work have currently some of their earnings discounted when their benefit is worked out and this provides an incentive to work. This would continue under the draft LCTS scheme.
- Under the current Council Tax Benefit rules, if someone becomes employed, or gets a better paid job, their increased income does not affect their benefit for the first four weeks of working in their new job. This would continue under the draft LCTS scheme.
- Under the current Council Tax Benefit scheme, maintenance payments do not usually affect the amount of benefit the claimant receives. This would continue under the draft LCTS scheme.
- Currently Council Tax Benefit can cover the full amount of Council Tax someone is charged, so there are some people who have no Council Tax to pay. This would not continue under the draft LCTS scheme and the level of Council Tax Support awarded for all working age customers would be capped, so that all such claimants will have some Council Tax to pay. Except for those of working age in receipt of war pension.
- Under the current rules for Council Tax Benefit, if a claimant can show good reason for not claiming benefit at the time of need, they may have their benefit backdated for up to 26 weeks. This would continue under the draft LCTS scheme, where there was a financial need.
- Under the current Council Tax Benefit rules, other adults (non dependants) living in the household are assumed to contribute towards the household costs, including Council Tax. This means that the claimant receives less benefit. This would continue under the draft LCTS scheme.
- Under the current Council Tax Benefit rules, benefit may be awarded to the person who is liable to pay Council Tax, when someone else lives in their household who is on a low income. This is called Alternative Council Tax Benefit. We only have a few claimants of this type. It is a complicated rebate with a low take up that is expensive to administer. This would not continue under the draft LCTS and Alternative Council Tax Benefit (known as Second Adult Rebate) would cease from April 2013.
- Currently, Child Benefit is not taken into account when working out how much Council Tax Benefit someone will get so the benefit they receive is not reduced. This would continue under the draft LCTS scheme.
- Currently, people who have certain disability benefits paid by the Government, such as Disability Living Allowance or Carers Allowance, are allowed more help with their Council Tax. This would continue under the draft LCTS scheme.
- Currently, recipients of Council Tax Benefit may have capital (savings) up to £16,000. However, where people have capital of more than £6,000 their Council Tax Benefit is reduced by £4 per week for every £1,000 of capital held. This would continue under the draft LCTS scheme.

2.9 From April 2013, the government will change how we can charge Council Tax for some properties (Technical Changes). These changes are separate from the changes to Local Council Tax Support but we consulted on them at the same time.

2.10 At the moment, owners of second homes or homes that are empty, pay either no Council Tax or a reduced amount. Breckland Council proposed in its consultation that this be changed. We consulted on the following proposals: -

- Someone with two properties should pay 100% of their Council Tax on their second home (currently 90%). It is proposed that this is implemented.
- Currently, serving military personnel who are required to live away from their property pay 90% of Council Tax for their second home if it is in the Breckland area. It is proposed that this continues.
- Currently, people who have an empty property are not charged Council Tax for up to six months. Breckland wants to encourage a buoyant housing market that allows people to move, and made proposals to reduce the exempt period to encourage those who own long term empty properties to consider opening the property up to the housing market.
- The following technical changes to the collection of council tax, with particular regard to empty and vacant properties, are now being proposed and have been agreed with Norfolk County Council and in discussion with the other Norfolk billing authorities: -
 - Class A properties will receive a 50% discount for 12 months
 - Class C properties will receive a 100% discount for 3 months then 0% discount for next 3 months
 - 0% discount for long term empty properties (6 to 24 months)
 - A 50% premium will be applied on long term empty properties after 24 months

2.11 The headline findings from the Consultation are provided below. The findings are largely in support of the proposals and the draft scheme and are mainly consistent between the online/written survey and the demographically representative survey.

Local Council Tax Support Scheme	Panel Survey	Online Survey
Support for parents with dependent children	72% support	73% support
Disregard of some earnings	84% support	82% support
Support for positive change in employment status	81% support	86% support
Cap level of support	80% support	53% support
Support for benefit recipients	75% support	81% support
Reflect “capital” held	78% support	76% support
Technical Changes		
Second homes	83% support	80% support
Empty and Vacant	86% support	75% support

- 2.12 The only proposal within the draft Local Council Tax Support scheme where there is a difference between the Panel and Online surveys of any significance is with regard to capping the maximum amount awardable. Whilst 80% of the panel respondents supported capping; only 53% of the online respondents support the proposal. It should be noted that 51% of online responses from working age recipients of council tax benefit; whereas only 9% of panel responses from working age recipients of council tax benefit. 63% of working age recipients of council tax benefit do not support “capping”

Transitional Grant Scheme

- 2.13 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.
- 2.14 The grant will be payable in March 2013 to those local authorities who adopt schemes that comply with criteria set by Government.
- 2.15 To apply for a grant, Breckland 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.
- 2.16 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 Breckland is as follows: -
- | | |
|---------------------|----------|
| • Breckland Council | £17,841 |
| • Norfolk | £167,827 |
| • Norfolk Police | £28,862 |
- 2.17 Applications can only be made after the deadline for adopting schemes on 31 January 2013 and before the 14 February 2013.
- 2.18 The draft Local Council Tax Support 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 draft scheme.

3. OPTIONS

Council Tax Support

- 3.1 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.
- 3.2 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 Breckland.

- 3.3 To apply for a Transitional Grant and amend the draft Local Council Tax Support scheme to reflect the grant scheme criteria.

Technical Changes

- 3.4 Do nothing. If the Council does not make technical changes to Council Tax exemptions then the funding shortfall will have to met by the Local Council Tax Support scheme with less support for working age claimants.
- 3.5 To agree and recommend to Council that technical changes are made to the collection of Council Tax as described above and in line with the other billing authorities in Norfolk and in agreement with Norfolk County Council.

4. 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 Breckland Council applies for a Transitional Grant and amends the draft Local Council Tax Support scheme to reflect the grant scheme criteria.
- 4.3 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, Breckland 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 local 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 by approximately 25%.
- 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 is inconsistent with the approach agreed across Norfolk.

5. IMPLICATIONS

5.1 Legal

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. This document is shown in the appendices.

5.2 Risks

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**

The financial implications of this report are dealt with above and in the attached Proforma B.

The funding gap of will be borne by the major precepting authorities in proportion to their current precept size.

Breckland Council can apply for a transitional Grant of £17,841 should the LCTS policy meet the prescribed criteria.

5.4 **Timescales**

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**

An Equality Impact assessment (EIA) has been carried out of the draft policy.

5.6 **Stakeholders / Consultation**

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.

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.

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.

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**

Not applicable

5.8 **Section 17, Crime & Disorder Act 1998**

Not applicable

5.9 WARDS/COMMUNITIES AFFECTED

All.

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Director/Officer who will be attending the Meeting

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Key Decision – Yes

Appendices attached to this report:

A. Draft Policy