

Report of Director of Resources

Report to Executive Board

Date: 20th June 2012

Subject: Localised Council Tax Support scheme

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Council Tax Benefit is replaced in April 2013 by a national Council Tax Support scheme for pensioners and a local Council Tax Support schemes for working age customers.
2. Government funding for both the national pensioner scheme and the local working age scheme will be reduced by 10% compared to Government funding for the current Council Tax Benefit schemes. The national pensioner scheme will continue to support pensioners in the same way that the current Council Tax Benefit scheme supports pensioners meaning the that overall 10% reduction in funding falls entirely on the working age scheme.
3. The Council is required to adopt a local working age scheme by 31st January 2013 and is required to undertake consultation with major precepting authorities and the public ahead of adopting a scheme
4. A draft scheme is set out in this report that would see certain groups protected from reductions in support and the impact on the remaining working age customers limited to a 10% reduction in support. The costs of the draft scheme exceed the Government's funding and would be met in part by raising additional Council Tax revenue from

changes to the exemptions and discounts schemes for empty properties. The remaining funding requirement would need to be taken into account as part of the 2013/14 budget preparation process

Recommendations

2 Executive Board is asked to:

- a. Approve consultation on the draft Council Tax Scheme set out in this report;
- b. Approve the inclusion within that consultation of proposals to amend Council Tax discounts and exemptions schemes for empty properties in Leeds.
- c. Receive a report in January 2013 with a recommendation for the local Council Tax Support scheme for 2013/14 that has considered responses from the consultation exercise

1 Purpose of this report

1.1 The report sets out a proposal for a local Council Tax Support scheme for 2013/14 and seeks approval to carry out a public consultation on the proposed scheme. The Council is required to adopt a local Council Tax Support scheme by 31st January 2103. The outcomes from the consultation exercise will be presented to a future Executive Board along with a recommendation for a local Council Tax Support scheme.

2 Background information

The current scheme of Council Tax Benefits is to be replaced from April 2013 with local schemes of Council Tax Support. The requirement for councils to adopt local schemes of Council Tax is contained within the Local Government Finance Bill that is currently progressing through Parliament. The key features of the local Council Tax Support scheme proposals are:

- Government funding for local schemes will be reduced by 10%;
- There will be a nationally prescribed scheme for pensioners that will maintain support in line with current Council Tax Benefit scheme for current and future pensioners;
- Councils will be free to design their own schemes and Government will not prescribe any protected groups other than pensioners;
- Councils will be able to supplement scheme funding from their own budgets.

Councils need to adopt a scheme by 31 January 2013 and failure to do so will result in a default scheme being imposed on councils. The default scheme will be equivalent to the current Council Tax Benefit scheme which would see councils having to put in additional funding to meet the full costs of the default scheme

The Local Government Finance Bill also contains proposals for technical reforms to Council Tax that will provide Councils with scope to amend certain schemes dealing

with empty property discount and exemptions for Council Tax purposes. These changes will enable Councils to raise additional revenue. Details of the technical Council Tax reform proposals are set out at Appendix 1 along with the potential additional revenue that could be raised from amendments to the schemes.

3 Main issues

Appendix 2 shows the likely funding gap between the current spend on Council Tax Benefit and the potential Government funding for a local Council Tax Scheme in 2013/14. The figures are based on subsidised Council Tax Benefit (CTB) spend for 11/12 and assume Government funding equivalent to 90% of the CTB subsidy. It should be noted that these figures are also the likely costs to the council and precepting authorities if the Council fails to adopt a scheme by 31st January 2013.

It is proposed that a draft scheme is published for consultation that provides a transitional scheme for 2013/14 only and that:

- Protects lone parents with children under 5 and customers in receipt of the severe disability premium or enhanced disability premium from any reductions in support as a result of changes to the scheme. These classes of customers are not required to undertake work related activity with Jobcentre Plus and, as a result, have less support to make the move into work and improve their financial position;
- Protect claimants in receipt of war widows or war widowers pension from any reductions in support as a result of any changes in the scheme; and
- Limit the reduction in support for remaining customers to 10% of the support they would have received if Council Tax Benefit had continued.

More details of the proposed scheme are set out at Appendix 3.

The likely costs of the proposed scheme are set out at Appendix 4 and it is intended to fund the costs of the scheme from revenues raised from reforms to empty property discounts and exemptions with the remaining costs being taken into account during preparations for the Councils 13/14 budget.

The challenges in designing a local Council Tax Support scheme for adoption by 31st January 2013 strongly support a move away from developing a scheme for the long-term and instead putting in place a scheme for the first year with a longer-term scheme following on. This approach has a number of key benefits.

- It reduces the financial impact on customers, many of whom are also subject, from April 2013, to changes to other benefits as a result of the Government's Welfare Reform Programme;
- It reduces the risk of failing to deliver a Council Tax Support scheme. This is because the year 1 draft scheme will be able to continue to use existing systems and solutions with only relatively minor changes expected. Introducing more complex schemes would require significant systems changes at a time when suppliers are faced with developing systems for other major welfare reforms;

A transitional year 1 scheme for 2013/14 also commits the Council to reviewing the scheme for year 2 and adopting a scheme that takes account of scheme funding and budget implications for 2014/15. Thereafter, scheme funding is expected to fall in line with the Government's Comprehensive Spending Review programme and be fixed in line with CRS2014.

The Council is required to consult on draft schemes. Consultation has started with the major precepting authorities who may also face funding pressures in relation to Council Tax Support schemes. These funding pressures stem from decisions to provide additional funding to limit the impact in customers and from pressures that may arise in relation to the Collection Fund. Discussions are continuing with precepting authorities on these matters.

It is also intended to carry out a 12 week public consultation exercise on the draft scheme. Appendix 5 sets out the proposed approach to carrying out the consultation exercise. The exercise is intended to start in late July 2012 and conclude in October 2012. Following analyses and considerations of the responses a formal recommendation on a local Council Tax Support scheme will be presented to Executive Board for adoption in January 2013. It is also expected that final decisions on Government funding for local schemes will have been announced in November or December 2012.

4 Corporate Considerations

Consultation and engagement

The report is seeking approval to undertake a formal consultation exercise on a draft local Council Tax Support scheme. The consultation, if approved, will start in July 2012 and run for 12 weeks.

Equality and Diversity / Cohesion and Integration

Equality implications have been taken into account when designing the draft scheme and this has led to proposals to protect certain groups from reductions. A more detailed impact analysis will be carried out ahead of the publication of the draft scheme for consultation purposes.

Council Policies and City Priorities

The implementation of a local Council Tax Support scheme is a key priority for the Council.

Resources and Value for Money

The costs of carrying out the consultation exercise will be met from DCLG funding to councils for the design and implementation of local schemes. The scheme costs themselves will be met from Government funding and additional revenue raised from changes to Council Tax exemptions and discount schemes for empty properties with any shortfall in funding being taken into account as part of the budget preparations for 2013/14.

Legal Implications, Access to Information and Call In

Councils are required to adopt local schemes by 31st January 2013 and in order to do so need to undertake meaningful consultation with major precepting authorities, the public and groups with an interest in the scheme design.

Risk Management

The proposal to adopt a transitional scheme for 2013/14 that utilises much of the current systems and solutions for Council Tax Benefit helps to minimise the risk that a scheme will not be delivered in time. Equally a comprehensive consultation process also mitigates the risk of legal challenge which would significantly impact on the ability to adopt a scheme by 31st January 2013.

5 Conclusions

The proposed draft scheme looks to protect certain groups from reductions in support and reduce the impact on remaining customers. The draft scheme also reduces the risk of failing to adopt a scheme by 31st January 2013 and deliver a scheme for April 2013. The proposals increase the costs of the scheme so that they exceed Government funding and the additional funding requirements will need to be taken into account within the 2013/14 budgets.

Reducing the impact for customers in 2013/14 will help some customers in dealing with other changes to their benefits that also come into effect from April 2013. They will also help reduce the potential for there to be an impact on the Collection Fund of trying to collect additional Council tax from customers receiving reduced support.

6 Recommendations

Executive Board is asked to:

Approve consultation on the draft Council Tax Scheme set out in this report;

Approve the inclusion within that consultation of proposals to amend Council Tax discounts and exemptions schemes for empty properties in Leeds.

Receive a report in January 2013 with a recommendation for the local Council Tax Support scheme for 2013/14 that has considered responses from the consultation exercise

7 Background documents

Local Government Finance Bill

DCLG consultation paper on funding for localised schemes of support for Council Tax

DCLG Statements of Intent on localised schemes of support for Council Tax

Appendix 1 – Technical Reforms to Council Tax

The Government is proposing to allow councils to change discounts and exemptions relating to three classes of empty property discount. Under Government proposals, Councils will be able to reduce or remove the period a property in Class A, C or L is exempt from Council Tax.

- Class A relates to properties which are empty, unfurnished and undergoing major structural work to make them habitable. Currently, properties falling within Class A are exempt for a maximum of 12 months after which Council Tax is charged at 100%;
- Class C relates to properties which are empty and unfurnished. Currently, properties falling within Class C are exempt for a maximum of 6 months after which Council Tax is charged at 100%
- Class L relates to properties which have been repossessed and are unoccupied. Currently, properties falling within Class L are exempt for an indefinite period.

The table below shows the value of exemptions applied to these three classes based on 10/11 Council Tax data

Value of exemptions	1 – 30 days £000s	31 – 90 days £000s	91 – 180 days £000s	181+ days £000s	Total value £000s
Class A	50	102	125	183	460
Class C	2,200	2,500	1,700	-	6,400
Class L	26	47	47	68	188
Total					7,048

The table shows the maximum additional Council Tax revenues that could be raised by removing exempt periods entirely. Reducing the exempt periods as indicated below would have the potential to generate additional Council Tax as shown:

- Reducing the exempt period to 1-month: £4,772k
- Reducing the exempt period to 3-months: £2,123k
- Reducing Classes C&L to 3-months and Class A to 6 months £1,998k

The Government's proposals also allow councils to remove the discount from second homes and to charge an empty property premium on properties that are long-term empty properties (i.e 2 years or more).

- Removing the 10% second homes disregard in Leeds would generate an additional £300k in Council Tax;
- Charging an empty homes premium of 150% of the Council Tax could generate an additional income of
 - £230k based on the number of properties that became long-term empty during 11/12: and
 - An additional £380k based on the number of properties that were long-term empty before start of 11/12 and remained empty

These figures take no account of the additional challenge in collecting Council tax on empty properties or of any behavioural changes to avoid Council Tax charges for empty properties

Appendix 2 – Funding gap based on current scheme costs and potential Government funding

	Number of claimants	12/13: Current scheme spend £	13/14: CTS costs: no increase in Council tax - £	13/14: CTS costs 2.5% increase in Ctax - £	13/14: CTS costs 2.5% increase in Ctax plus 5% increase in working age caseload £	13/14: CTS costs 2.5% increase in Ctax less 5% decrease in working age caseload - £
Total caseload	76246				78560	73067
Working Age caseload	44065				46379	41963
- Lone parent with child u5	5540	3,868,276	3,868,276	3,964,982	4,147,830	3,782,349
- Relevant Disability Premium	3588	2,619,350	2,619,350	2,684,834	2,819,075	2,550,592
- War Pension	35	25,603	25,603	26,243	27,554	24,930
- Other working age	34902	24,748,714	24,748,714	25,367,432	26,577,283	24,158,397
Total Working Age		31,261,943	31,261,943	32,043,491	33,571,742	30,516,268
Pension Age caseload	32181	23,505,556	23,505,556	24,093,195	24,076,681	24,110,485
Total Benefit based on current scheme		54,767,499	54,767,499	56,136,686	57,648,423	54,626,753
Govt Funding		54,767,499	49,729,915	49,729,915	49,729,915	49,729,915
Shortfall		0	5,037,584	6,406,771	7,918,508	4,896,838

Appendix 3 – Draft Council Tax Support scheme for 2013/14

Pensioners

1.1 A national scheme will exist for pensioners. Details of the national scheme for pensioners are set out in the Department for Communities and Local Government's Statement of Intent published on 21st May 2012. In effect the pensioner scheme will mirror the current scheme of Council Tax Benefit for pensioners.

Working Age customers

1.2 The local scheme proposal is to limit the level of Council Tax support for the majority of customers to 90% of entitlement as calculated under the current Council Tax Benefit scheme (which will be replicated in the national default scheme for working age customers from April 2013). A number of customers will continue to receive Council Tax Support equivalent to 100% of their entitlement under the current Council Tax Benefit scheme and proposed national default.

1.3 The local Council Tax Support scheme, therefore, will have two main working age classes each of which will have a number of qualifying criteria. The Government intends to prescribe that persons from abroad with limited leave to remain in the UK will be exempt from receiving support under local schemes of Council Tax Support.

1.4 An outline of the scheme is set out below and a more detailed description of the scheme will be published as part of the consultation process.

1.5 **Class 1** – these are customers who will continue to receive Council Tax Support equivalent to 100% of their entitlement under the current Council Tax Benefit scheme and proposed national default scheme for working age customers.

1.5 A customer falling within Class 1 will:

- be a lone parent with a child under the age of 5; or
- qualify for a severe disability premium or enhanced disability premium as set out in the current Council Tax Benefit scheme; or
- be in receipt of a War Pension or War Widows Pension

1.6 The three conditions that qualify for a severe disability premium are:

- The householder must be in receipt of the high or middle rate care component of disability living allowance or receive Attendance Allowance **and**
- The householder must not be being looked after by someone who receives carer's allowance for looking after them **and**
- The householder must have no one living with them aged over 18 years unless that person is registered blind or in receipt of high or middle rate care component of disability living allowance or receive Attendance Allowance.

If couple and both satisfy the criteria but someone receives carers allowance to look after one of them the severe disability premium is awarded at single person rate.

1.7 The qualifying criteria for an enhanced disability premium is:

- The householder and partner (if any) are aged under 60yrs and
- the householder or partner (if any) receive the highest rate of the care component of disability living allowance
- In the case of a couple the couple rate is awarded even if only one partner qualifies.

This premium can also be awarded in respect of a child or young person in the family. The criteria are that a child or young person in the family must receive the highest rate of the care component of disability living allowance.

1.8 Class 2 – these are customers who do not fall within Class 1 and who will have their Council Tax Support limited to 90% of their entitlement as calculated under the current Council Tax Benefit scheme and proposed national default scheme for working age customers

General qualifying criteria for the local Council Tax Support scheme

1.9 The rules for the local scheme of Council Tax Support will reflect the current rules under the Council Tax Benefit scheme and, from April 2013, the national default scheme. Applicants will:

- not yet have reached the qualifying age for state pension credit;
- be liable to pay council tax in respect of a dwelling in which they are resident;
- not have capital or savings above £16,000;
- have applied for the scheme.

1.10 Where an applicant's income is greater than his living allowance, 20% of the difference between the two will continue to be subtracted from this individual's maximum council tax liability:

- For an applicant falling within Class 1 this will be their Council Tax Support entitlement less any non-dependent deductions;
- For an applicant falling within Class 2 this will be the Council Tax Support entitlement (less any non-dependent deductions, which will be subject to a 10% reduction);
- Non-dependent deductions will continue to be calculated in line with the current Council Tax Benefit scheme as updated by the national default scheme,
- *living allowance* or *applicable amount* will also continue to be calculated in line with the current Council Tax Benefit scheme as updated by the national default scheme; and
- Income and capital, including tariff income from capital, will continue to be calculated in line with the current Council Tax Benefit scheme as updated by the national default scheme

1.11 Entitlement to local Council Tax Support will start on the Monday of the week after the application is made. The current backdating rules, which allow claims to be backdated for up to 6 months, will continue to apply.

1.12 Changes of circumstance will continue to need to be reported and will continue to be treated in line with the current Council Tax Benefit scheme

Appendix 4 – likely scheme costs

	Number of claimants	12/13: Current scheme spend £	13/14: CTS costs: no increase in Council tax - £	13/14: CTS costs 2.5% increase in Ctax - £	13/14: CTS costs 2.5% increase in Ctax plus 5% increase in working age caseload £	13/14: CTS costs 2.5% increase in Ctax less 5% decrease in working age caseload - £
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Govt Funding		54,767,499	49,729,915	49,729,915	49,729,915	49,729,915
Shortfall		0	5,037,584	6,406,771	7,918,508	4,896,838
Costs of protecting Class 1			1,107,249	1,335,212	1,678,670	1,017,259
Additional costs of limiting Class 2 to 10% reduction			1,455,464	2,534,816	3,582,110	1,463,739
Total costs of scheme			2,562,713	3,870,028	5,260,780	2,480,998
Additional revenue from Council Tax changes*			3,033,000	3,109,000**	3,109,000**	3,109,000**
Net cost of scheme			Nil	761,028	2,151,780	NIL

*assumes Class A, C and L exemptions apply for 3 months

** increase follows assumption of 2.5% Council Tax increase

Appendix 5 – Council Tax support (CTS) local scheme community engagement plan

Objectives

- Increase awareness, understanding and impact of changes to CTS amongst stakeholders, including residents/claimants
- Understand stakeholders views on principles and details of proposed CTS local scheme options
- Support Equality Impact Assessment (EIA) process

Stakeholders

- General population
- Current claimants
- 'Vulnerable groups'
 - Those at risk of homelessness
 - Those with children in household
 - Equality Act protected characteristics (incl. Equality Hubs)
- Third sector umbrella groups
- Advice/ support agencies
- Elected members
- Town and parish councils
- Agencies involved in delivery
- Agencies involved in mitigation

Methods

There is a broad balance between gathering reliable insight and providing opportunities for interested stakeholders to comment. Because of this the following methods will be considered:

- Citizens' Panel (snapshot of the general population's awareness of changes, views on options)
- Information and survey sent electronically or on paper to current claimants
- Information and survey sent electronically or on paper to umbrella groups, town/parish councils, organisational stakeholders
- Attendance at existing group meetings/events (especially for vulnerable stakeholders)
- Interviews (to reach those unable to participate otherwise)
- Promotion of how people can have a chance to have your say through channels such as: About Leeds, web site, poster campaign - targeted to communities mostly affected.
- Awareness raising with front-line staff in One Stop shops, libraries, Children's Centres etc to run as detailed in welfare reform communication action plan

Timescales

The main phase of engagement should be completed by October 2012, to inform decision-making in December/January 2012/13

Resources

This engagement will be supported by corporate communications and corporate consultation colleagues.