

COUNCIL – 14TH JANUARY 2013

Report of the Cabinet

ITEM 7.1 LOCALISATION OF COUNCIL TAX SUPPORT

Purpose of Report

To present the Council's proposed responses to the measures set out in the Local Government Finance Bill concerning proposals for a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme.

Recommendations

1. That the proposed local scheme of Council Tax Support, as set out at Appendix A of the Cabinet report (Annex A), be approved;
2. that the proposed Discretionary Discount Fund, as set out at Appendix B of the Cabinet report (Annex A), be approved;
3. that the proposals to take advantage of new powers set out in the Local Government Finance Bill to vary statutory exemptions from council tax in respect vacant and unoccupied dwellings, be approved as follows:
 - “Class A - Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to 12 months)
 - DISCOUNT 50%”
 - “Class C - A vacant dwelling, i.e. empty and substantially unfurnished (up to 6 months)
 - DISCOUNT 100% for the first month
 - DISCOUNT 0% (or as close to 0% as possible) for subsequent months”
 - “Discount on Second Homes
 - DISCOUNT 0%”
4. that the financial support offered by major preceptors in respect of the proposed Discretionary Council Tax Discount Fund and the additional administrative costs that would be incurred by the Council under the proposed new arrangements, as set out at Appendix D of the Cabinet report (Annex A) be noted; and
5. that delegated authority be given to the Head of Revenues and Benefits and Customer Services, in consultation with the Lead Member, to make all detailed arrangements required to implement the proposed local scheme of Council Tax Support, the proposed Discretionary Council Tax Discount Fund and the variations to statutory exemptions from council tax.

Reasons

1. To agree a local scheme to be used to calculate Council Tax Support for one year from 1st April 2013.
2. To agree the introduction of a discretionary fund that would allow the Council to mitigate the impact of the proposed local scheme of Council Tax Support on the most vulnerable residents from 1st April 2013.
3. To ensure the discount given would spread the financial burden arising from the implementation of the proposed local scheme of Council Tax Support and the Discretionary Council Tax Discount Fund among those where it was more likely that they could afford to pay. To remove discounts on vacant dwellings after the first month in order encourage owners to bring empty homes back into use, this would bring benefits to the local community by increasing the availability of housing. To maximise Council Tax income in order that increased funds could be added to the Discretionary Discount Fund in future years with a view to agreeing among the partner authorities expanding the criteria for a discretionary discount so that more vulnerable residents could be supported.
4. To ensure that Cabinet were fully aware of the financial implications of the proposals and the financial support offered by major preceptors.
5. To allow proposals to be implemented in accordance with the required timescales.

Policy Justification and Previous Decisions

The recently enacted (1st November 2012) Local Government Finance Act includes measures which will require all council tax billing authorities to devise a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme.

The implementation timescales set out in the Act require that local schemes have to be in place by 1st April 2013, and it is therefore necessary that the Council brings forward its proposals in advance of the publication of the detailed regulations that will underpin this legislation.

At its meeting on 22nd November 2012, Cabinet considered a report of the Head of Revenues and Benefits and Customer Services setting out the Council's proposed responses to the measures set out in the Act, which is attached at Annex 1.

Cabinet also considered the comments and recommendations of the Overview Scrutiny Group on 19th November 2012, which is attached at Annex 2.

The Cabinet resolved to recommend to Council that a scheme be approved as set out in the recommendations section above. Cabinet's reasons for the recommendations are set out in the Reasons section above.

Following the Cabinet meeting, Leaders and Officers from Leicestershire and Rutland met to discuss each billing authority's final proposals for their local

scheme of council tax support and their proposals to take advantage of new powers set out in the Local Government Finance Bill to vary statutory exemptions from council tax in respect of vacant and unoccupied dwellings, in the context of the proposed Leicestershire and Rutland framework arrangements. At the meeting of Leaders and Officers, the proposed Leicestershire and Rutland framework agreement was agreed. The specific Charnwood proposals, as set out in recommendation 3 above, are fully in accordance with the framework arrangement and enables Charnwood Borough Council to proceed with its individual proposals.

Implementation Timetable including Future Decisions and Scrutiny

The Local Government Finance Act requires all local authorities must have approved their Local Scheme for Council Tax Support by 31 January 2013 prior to the Schemes inception on 1 April 2013.

Report Implications

Financial Implications

There are no financial implications associated with the recommendations of the Cabinet further to those detailed in the report of the Head of Revenues and Benefits and Customer Services, attached as Annex 1.

Risk Management

There are no risks associated with the recommendations of the Cabinet further to those detailed in the report of the Head of Revenues and Benefits and Customer Services, attached as Annex 1.

Key Decision:	Yes
Background Papers:	No additional background papers.
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CABINET - 22 NOVEMBER 2012

Report of the Head of Revenues & Benefits and Customer Services

Lead Member: Councillor Bokor

Part A

ITEM 6 LOCALISATION OF COUNCIL TAX SUPPORT

Purpose of Report

The Local Government Finance Bill sets out measures that will require all council tax billing authorities to devise a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme.

This report sets out the Council's proposed responses to the measures set out in the Bill and asks that Cabinet recommend these to Full Council and provides appropriate delegations that will allow implementation of proposals in accordance with the required timescale.

Recommendations

That it be recommended to Council:

1. that the proposed local scheme of Council Tax Support, as set out at Appendix A, be approved.
2. that the proposed Discretionary Discount Fund, as set out at Appendix B, be approved.
3. that the proposals to take advantage of new powers set out in the Local Government Finance Bill to vary statutory exemptions from council tax in respect vacant and unoccupied dwellings, as set out in Appendix C, be approved.
4. that the financial support offered by major preceptors in respect of the proposed Discretionary Council Tax Discount Fund and the additional administrative costs that would be incurred by the Council under the proposed new arrangements, as set out at Appendix D be noted; and
5. that delegated authority be given to the Head of Revenues & Benefits and Customer Services, in consultation with the Lead Member, to make all detailed arrangements required to implement the proposed local scheme of Council Tax Support, the proposed Discretionary Council Tax Discount Fund and the variations to statutory exemptions from council tax.

Reasons

1. To agree a local scheme to be used to calculate Council Tax Support for one year from 1 April 2013.

2. To agree the introduction of a discretionary fund that will allow the Council to mitigate the impact of the proposed local scheme of Council Tax Support on the most vulnerable residents from 1 April 2013.
3. To spread the financial burden arising from the implementation of the proposed local scheme of Council Tax Support and the Discretionary Council Tax Discount Fund, and to encourage owners to bring empty homes back into use.
4. To ensure that Cabinet are fully aware of the financial implications of the proposals and the financial support offered by major preceptors.
5. To allow proposals to be implemented in accordance with the required timescales.

Policy Justification and Previous Decisions

The recently enacted (1 November 2012) Local Government Finance Act includes measures which will require all council tax billing authorities to devise a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme.

The implementation timescales set out in the Act require that local schemes have to be in place by 1 April 2013, and it is therefore necessary that the Council brings forward its proposals in advance of the publication of the detailed regulations that will underpin this legislation.

Implementation Timetable including Future Decisions and Scrutiny

The Local Government Finance Act requires all local authorities must have approved their Local Scheme for Council Tax Support by 31 January 2013 prior to the Schemes inception on 1 April 2013.

In practice, local authorities need to have schemes designed, with supporting customer communication plan, business processes and information technology in place, ready for the 2013/14 Council Tax billing which occurs in mid-March 2013. It is therefore necessary that proposals for the new scheme arising from this report, *as may be amended in the light of publication of the detailed regulations associated with the legislation*, are approved at the 14 January 2013 Council meeting.

The key next step, will be to undertake a legal review of the scheme (as agreed or amended by Cabinet) and the associated consultation to ensure that it appears compliant with the new Local Government Finance Act.

This report is scheduled for scrutiny at the meeting of the Overview Scrutiny Group on 19 November 2012.

Report Implications

The following implications have been identified for this report.

Financial Implications

The features of the proposed local Council Tax Support Scheme combined with envisaged changes to discount rates on second homes and empty properties are designed to offset reductions in government funding for council tax support and create a financially sustainable arrangement for both Charnwood Borough Council, and the major preceptors.

Firm details of grant funding are unlikely to be available prior to December 2012 when the Council's financial settlement will be published. The analysis below is therefore necessarily based on estimated amounts.

Estimated annual current level of Council Tax Support grant payable in Charnwood		£9.2m
Estimated restriction in funding applicable to Charnwood local Council Tax Support Scheme – ie. total savings and / or additional revenue required for new arrangements to be financially sustainable.	10%	£920k
Offset: Transitional funding available from Government for Councils whose schemes comply with transitional grant funding conditions		£(223k)
Projected funding shortfall for 2013/14	Precisely £697k but say:-	£700k
It is important to realise that the figures above apply to total council tax collections, including those of the major preceptors. The Charnwood share of these is in the order of 12% (or £84k of the £700k)		
	<i>Charnwood share (12%)</i>	<i>Total</i>
Projected gross savings arising from the introduction of the proposed local scheme	£58k	£463k
Less: estimate of uncollectible debt on incremental billings (20% of incremental billings net of Discretionary Discount Fund)	£(9k)	£(74k)
Net savings	£47k	£389k
Add: Additional council tax billings generated in respect of second homes and empty properties	£52k	£430k
Less: Projected cost of Discretionary Discount Fund	£(11k)	£(93k)
Projected savings and additional revenue	£88k	£726k
Projected funding shortfall for 2013/14	£84k	£700k

Based on the projections above, the financial of the proposed mix of initiatives appears financially neutral.

As noted above, the Council is likely to incur additional operational costs in implementing the proposals set out in this report. Given the financial benefit to major preceptor partners from the creation of a financially sustainable solution they have agreed in principle a contribution to the additional administration costs. This is expected to cover the bulk of additional costs likely to be incurred by the Council;

Overall, from a Charnwood perspective, although the financial analysis is an estimate, the quantum of individual amounts does not suggest that the Council will suffer a material financial deficit in financial year 2013/14.

Risk Management

In general, considerable uncertainty remains around important matters in respect of these proposals, principally around the detailed legislation and the Council's financial settlement which have yet to be determined. However, the timetable for implementation requires the Council to make decisions now. Recognising this uncertainty a contingency has been built into the Council's Medium Term Financial Strategy (MTFS) which will allow material cost or revenue shortfalls to be funded from the Council's main General Fund budgets.

The specific risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management Actions Planned</i>
Adverse economic conditions may result in council tax benefit caseloads (and discounts applied) being significantly greater than those assumed in the financial analysis presented	3 possible	4 major	<ul style="list-style-type: none"> • Detailed caseload data analysis has been undertaken • Risk is shared between Council and major preceptors • Initial scheme restricted to a one-year timeframe • Contingency in MTFS
The Council's financial settlement in respect of the grant to cover council tax benefit may be significantly below that assumed in the financial analysis presented	3 possible	3 moderate	<ul style="list-style-type: none"> • Overall solution is designed to be financially sustainable • Initial scheme restricted to a one-year timeframe • Contingency in MTFS
The Council's scheme may fail to qualify for transitional grant funding due to technical non-compliance with funding conditions (grant claim cannot be made until early 2013; the detailed claim guidance has not yet been published)	2 unlikely	4 major	<ul style="list-style-type: none"> • Simple scheme specifically designed to fulfil grant criteria as outlined • Amended scheme will be put to the Full Council meeting if required to meet grant funding criteria

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management Actions Planned</i>
The transitional grant funding will only be available for financial year 2013/14	5 highly probable	4 major	<ul style="list-style-type: none"> • Scheme proposals are restricted to 2013/14 only; modified scheme may be introduced
Interest groups decide to issue a legal challenge against the proposed new local Council Tax Support Scheme	2 unlikely	4 major	<ul style="list-style-type: none"> • Simple scheme design in line with Government guidelines • Detailed caseload analysis has been undertaken • Eight week web-based consultation together with various 'roadshow' events undertaken in a cross-Leicestershire approach; consultation results reviewed on an ongoing basis and additional actions taken to ensure all stakeholder groups are represented • Equalities Impact Assessment performed
Collection rates on the incremental billing for those receiving council tax benefits and also on the additional billings relating to empty and vacant properties is highly likely to be significantly below existing levels and may be below rates assumed in the financial assessment	3 possible	4 moderate	<ul style="list-style-type: none"> • (The financial assessment assumes a 20% non-collection rate in respect of individuals receiving council tax benefit and a 10% non-collection rate in respect of empty and vacant properties) • Contingency in MTFs
The short timescale, late changes and delays in the enactment of the Local Government Finance Bill may prevent the Council implementing the new operating procedures smoothly	2 unlikely	3 moderate	<ul style="list-style-type: none"> • Design of new local scheme of Council Tax Support based on existing parameters to minimise system and process changes

Equality and Diversity

The implementation of the proposed new scheme of Local Council Tax Support, based on reduced levels of funding will affect all working age claimants. In designing the scheme the Council has performed an Equalities Impact Assessment and has had regard to:

- Detailed analysis of the Council's caseload data

- Extensive consultation exercises performed with the public and other stakeholders, including housing associations and the voluntary sector
- Consultation with major preceptor partners

Documentation in respect of the above are published as background papers to this report.

Key Decision: Yes

Background Papers: Caseload data analysis prepared by consultants
Results of public consultation
Key correspondence with major preceptors
Equalities Impact Assessment

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Part B

Introduction

1. This section outlines the background, options and recommendations for delivering a local Council Tax scheme for the Council from April 2013. It explores the challenges and both specific and strategic impacts and explains how the proposals were formulated.

Executive summary

Options

2. The Council has two principal options in designing a new Council Tax Support Scheme:
 - I. Create a scheme that replicates existing arrangements as far as possible (known as the 'default' scheme since such a scheme will be imposed on Councils that fail to implement a local scheme)
 - II. Introduce a 'new' scheme.
3. In considering options the Council needs to be mindful of key constraints:
 - Government funding for the local schemes will be reduced compared to the existing national funding for council tax support; details are not yet available but in broad terms it is expected that the Council's grant funding for council tax support will only cover only 90% of the costs of the existing scheme based on current claimant numbers
 - The implementation timetable for the local scheme is very challenging and the Council is limited, particularly by existing systems and software, in the scheme design options it might consider
 - It is a requirement of the local scheme that the benefits of pensioner claimants are protected at current levels
 - The Council has a duty to consider the impact of the local scheme on vulnerable groups
 - Strong encouragement by Government, including significant transitional grant funding, to restrict the impact on the vulnerable, and in particular, to design local schemes so that 'those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability'
4. This report proposes that the Council will introduce a 'new' local scheme on the grounds of financial sustainability, a desire to support the government policy of incentivising work rather than benefits, and having regard to the outcome of extensive consultations with the public and major preceptors (for whom the financial sustainability of local schemes is a major issue). Given the Government's strong encouragement and financial incentive to design a local scheme that

restricts the impact on the vulnerable it is further proposed that the new scheme will be designed so as to qualify for transitional grant funding.

Basis of the new scheme

5. The new scheme is based on a common Leicestershire and Rutland framework, developed jointly by the participating authorities. At the core of the new scheme is a benefit 'cap', which for Charnwood, and the majority of Leicestershire Districts, restricts benefits for working age claimants to a maximum of 91.5% of their total council tax liability. This approach, which will impact all working age claimants, is necessary if the new arrangements are to be financially sustainable.
6. The provisions of the Charnwood local scheme are set out at Appendix A.

Protecting vulnerable claimants

7. The mix of council tax benefit claimants is such that it is generally difficult to protect specific vulnerable groups, such as families with young children, or the disabled, as protecting these would result in a highly adverse impact on non-protected claimants. Recognising this Council's desire to support our Armed Forces however, it is proposed that the relatively small number of war widows and widowers living in the Borough will be protected in line with current arrangements.
8. In order to mitigate the impact of the scheme on other vulnerable groups a Discretionary Discount Fund has been created that will allow the Council to support the most vulnerable residents on a case by case basis. Details of this fund are set out at Appendix B.

Mitigating the impact of government grant restrictions

9. To avoid the whole burden of government grant restrictions falling on working age claimants the Council is proposing to take advantage of technical changes to the council tax regime proposed in the Local Government Finance Bill. The changes include giving local authorities more flexibility on what discounts they can apply on second homes and certain empty properties. This report proposes that the Council reduces these discounts which, in addition to raising revenue, should encourage owners to bring empty dwellings into use more quickly.
10. The proposed changes to council tax in respect of second homes and empty properties are set out at Appendix C.

Impact on Council operations

11. Introduction of the local scheme is likely to create additional demands on the Council's operations – particularly around dealing with customer queries, and debt collection and recovery. Much of the additional activity can be attributed to the features of the local scheme and technical changes to council tax designed to deliver a financially sustainable arrangement. In recognition of the benefit they receive from this approach the major preceptors, Leicestershire County Council, and the Police and Fire Authorities, have agreed to contribute

towards the Council's additional administration costs as outlined at Appendix D.

Key risks

12. The current council tax support scheme is funded on an 'actively managed expenditure' or 'AME' basis. From the Council's perspective, providing the scheme is administered correctly, the reductions in council tax revenue are fully reimbursed via a grant claim to the DCLG. The risk of an increasing caseload therefore lies with government.
13. Under the new arrangements, local authorities will each receive an annual grant, calculated by DCLG, to cover the costs of the local scheme. As noted previously, the current understanding is that the grant awarded will equate to approximately 90% of the existing costs of the national scheme. Importantly, this amount will also be 'delegated expenditure' or 'DEL'. This means that the amount awarded to each local authority is fixed and if caseloads increase, the additional costs will need to be borne locally. The risk of an increasing caseload therefore lies with individual local authorities.
14. It should also be noted that the financial sustainability of the scheme proposed is heavily reliant on transitional grant funding. At this time it is understood that this funding will only be available for one year – 2013/14. Therefore, unless the funding is extended, or the costs of the scheme are less than anticipated, the scheme as proposed will not be financially sustainable in the medium term. It is therefore likely that a new or modified scheme will need to be implemented from 1 April 2014 onwards.
15. Further information on the other key risks together with the financial implications of these proposals, and the equalities and diversity assessment is provided in subsequent paragraphs of Part A of this report.

Welfare reform context and agenda

16. The changes to council tax benefits are part of a wider series of changes and reforms within the government's welfare reform agenda. This has a theme of consolidation and centralisation of rules based benefits and support, whilst discretionary benefits are localised or outsourced (with reduced budgets calculated from baseline spend at an agreed point in time).
17. As part of this agenda, the following changes will impact on the Council in terms of ownership and administration:
 - Between 2013 and 2017, Housing Benefit (currently administered by the Council) will be phased out and help with housing costs will form part of a Universal Credit benefit that will be administered by the Department of Work and Pensions (DWP)

- On 1 April 2013, the national Council Tax Benefit scheme will be abolished and will be replaced with locally determined Council Tax Support schemes with funding of approximately 90% of current spend, (but detailed calculations are yet to be confirmed)
 - From 2013, the Council's Discretionary Housing Payment (DHP) budget will only be available to support individuals with shortfalls in Housing Benefit and the Local Housing Allowance; therefore, if the Council wishes to provide support for individuals struggling with council tax payments (arising from the introduction of the local scheme or more generally) this will require the introduction of local arrangements
18. The government has stated that it has two underlying principles behind the localisation of council tax benefits in England:
- Localised schemes should provide support for the most vulnerable, including vulnerable pensioners;
 - Localised schemes should assist with lifting the poorest off benefits and supporting them into work.
19. The government's ambition to put this legislation into effect is included in the Local Government Finance Act 2012.

Background to the current Council Tax Benefit scheme

20. The present Council Tax Benefit scheme has been in place since the introduction of Council Tax in 1993. It is a national scheme administered by local authorities but prescribed in extensive detail by the DWP.
21. Claimants who receive the DWP means-tested benefits (income-based Jobseekers' Allowance, Income Support, income-related Employment & Support Allowance and Pension Credit that includes the Guarantee Credit) are entitled to maximum help with their Council Tax without further means testing; they are "passport" to full benefit (subject to any contribution needed from other people in their household). Others can receive help on the basis of a complex means test, assessed by the Council that provides a level of help proportionate to the claimant's circumstances and income. Council Tax Benefit pays the full liability for Council Tax for the poorest claimants.
22. Local authorities are, to all intents and purposes, fully funded by the DWP for their council tax benefit expenditure; local authorities therefore do not carry the risk of changing caseloads or changes in the level of deprivation
23. Local authority administration of council tax benefit is combined with the administration of the very similar Housing Benefit scheme. As local authorities see it, council tax benefit for tenants is administered painlessly on the back of Housing Benefit. The assessment for owner-

occupiers stands alone and is a real administrative cost. The DWP pays an administration grant towards the cost of administering housing benefit and council tax benefit.

24. In 2011/12 Charnwood Borough Council paid around £9.2m council tax benefit. At any point in the year around a sixth of households are receiving housing and council tax benefit. A proportion of these receive full benefit for the whole financial year but many receive less than full benefit or receive benefit for only part of the year so have a reduced bill to pay.

Designing the New local Council Tax Support Scheme

Design issues and constraints

25. The key issues and constraints facing local authorities in designing their local council tax support schemes were, and remain:
- At the time of designing, costing and consulting on a local scheme the detailed supporting legislation had yet to be agreed
 - The funding to be provided for the new provision will be cut by an envisaged 10%, although full details of this are not yet available
 - Council tax collection from those households that receive partial council tax benefit is already more difficult than from those with incomes above the benefit threshold; the changes will mean that council tax collection will be even more challenging
 - The government will not allow local authorities complete freedom in the design of their schemes and have stipulated that the elderly (pensioners) are to be protected; around 50% of Charnwood's caseload are classed as elderly
 - The risk of changing caseloads is transferred to local authorities; unlike now, funding will be determined in advance, not based on actual spend.
 - As the government is also abolishing Housing Benefit, subsuming it gradually into Universal Credit from October 2013, and into Pension Credit from October 2014, local authorities will not be able to administer their new schemes more efficiently on the back of Housing Benefit for all but owner-occupiers; they will retain the major part of the administrative burden of means testing for tenants
 - The new scheme will need to be up and running, with existing cases assessed by early March 2013 so that claimants receive rebated bills where appropriate; the timescale for designing, consulting on and implementing a new scheme is therefore extremely challenging.
 - If the Council doesn't introduce a local scheme by the due date then a default scheme developed by the DCLG will apply; as this will mirror the current DWP scheme in all material effects, it will lead to costs similar to those currently incurred and lead to a budget

shortfall for the Council and the major preceptors - Leicestershire County Council as well as the Police and Fire Authorities

- The scheme is being introduced in advance of the introduction of Universal Credit which will provide potentially reduced income for many of those also receiving Council Tax.
 - The risk of increased demand resulting from higher take up, increased numbers needing assistance or existing claimants' incomes reducing are transferred from government to local authorities; this is a risk in Charnwood as the Council has seen a 17% rise in caseload since 2010.
 - The amount paid for people of pension age cannot be reduced so the funding cuts will have a substantial impact on working age claimants - as a result of protecting pensioner claimants the percentage cut is therefore higher for working age claimants
 - The cost of designing and implementing a local scheme to replace the existing Council Tax Benefit scheme is unknown but substantial; at this stage there is no indication of the final level of DCLG funding likely to be provided.
26. On 16 October 2012 the government released new guidelines on the design of local schemes (source: DCLG, statement by the Parliamentary Under Secretary of State, Baroness Hanham)_with which compliance was strongly encouraged, together with a financial incentive of one year's transitional funding for those Councils complying with these guidelines. Detailed rules have not yet been circulated but based on the statement a compliant scheme:
- Those who would be on 100 per cent support under current council tax benefit arrangements pay between zero and no more than 8.5 per cent of their council tax liability;
 - The taper rate does not increase above 25 per cent;
 - There is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100 per cent support, the taper will be applied to an amount at least equal to their maximum eligible award.
27. The DCLG statement goes on, 'In allowing flexibility over aspects of the scheme, we would not expect local authorities to impose large additional increases in non-dependant deductions. Councils will rightly want to avoid collecting small payments, and it may consequently be better value for money for councils to avoid designing schemes which seek to do so.'
28. On eligibility for transitional grant funding the DCLG state, 'The amount of funding for which councils will be eligible to apply and the timescales and process for making an application will be published shortly. We anticipate that councils will make applications after 31 January 2013, and that funding will be paid in March 2013. The grant will be a simple

one, easy to apply for and swiftly paid out, to help those councils who choose to do the right thing.'

Options considered

29. There are two basic options that can be considered in designing a new scheme:

I. Create a scheme that replicates existing arrangements as far as possible (known as the 'default' scheme since such a scheme will be imposed on Councils that fail to implement a local scheme).

II. Introduce a 'new' scheme.

30. The advantages and disadvantages of these options are summarised below:

<i>Default scheme</i>	<i>New scheme</i>
<p><i>Advantages</i></p> <ul style="list-style-type: none"> + No impact on claimants; vulnerable protected + Limited process / system changes required + Very limited risk of legal challenge to the scheme 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> + A fully or partially financially sustainable scheme may be developed + Option is strongly supported by major preceptors + Scheme can be designed to support government objectives of supporting people into work + Opportunity to obtain transitional grant funding in 2013/14 (assuming compliance with Government guidelines and rules)
<p><i>Disadvantages</i></p> <ul style="list-style-type: none"> - Council and major preceptors would need to fund part of the scheme; risk that funding shortfall will increase in future years - Very significant financial implications for major preceptors - Does not support government objectives of supporting people into work 	<p><i>Disadvantages</i></p> <ul style="list-style-type: none"> - Some or all working age claimants will be adversely affected by new scheme including some groups that may be deemed vulnerable - Some implementation risks due to timescales - Risk of legal challenge if public consultation and scheme design are not effective

31. Within these options there are various variations or hybrid approaches that could be developed. One approach suggests that Council's should adopt a 'default' scheme initially due to the implementation risks associated with the challenging timescales and then introduce a new scheme in future. However, this carries the risk that the government will offer claimants 'transitional relief' limiting local authorities ability to reduce benefits in future years; this would mean that even if a Council wished to design a financially sustainable scheme from, say, 1 April 2014, it would not realise those savings due to the effect of transitional relief.

32. Another variation considered by many local authorities is to use the new revenue opportunities afforded by changes to the council tax regime in respect of second homes and empty properties to mitigate the impact of reduced benefit funding from government on the vulnerable.

Approach

33. In order to share ideas and resources Leicestershire Districts and Rutland County Council have been working together to develop a common framework for the local schemes of council tax support across the area. It is envisaged each scheme will share common parameters which will be varied to reflect local differences in demography and policy objectives. The major preceptors have been fully engaged throughout this process. The working groups have also engaged with Leicester City Council officers to understand their emerging response to this matter.

Summary of caseload analysis

34. Along with the other Leicestershire Districts, Charnwood commissioned Coactiva, a data consultancy, to undertake a detailed analysis of the existing council tax benefit caseload based on data extracts at 30 April 2012. Key findings from this report are as follows:

- 50.2% of the caseload (some 5,350) were of Pension Age; 49.8% (5,312 cases) were related to Working Age residents
- Annualised benefits payable were £9,189,164; assuming a 10% reduction in grant this would imply shortfall in funding (spread between the Charnwood and preceptors) of £918,916¹
- Of the Working Age caseload:
 - There were 1,756 claims with disabilities
 - There were 2,984 claims with dependent children
- In order to achieve the savings required to make the new scheme financially sustainable it is apparent that a restriction on maximum eligible support (or 'cap') must be applied; the report calculates savings as follows:
 - 75% cap gives savings of £1,295,594
 - 80% cap gives savings of £1,040,513
 - 85% cap gives savings of £781,344
- Subsequently further calculations were performed assuming a 90% and a 91.5% cap; these gave savings of £506,235 and £443,534 respectively

¹ Figures have been calculated by Coactiva, and are shown in this section, as precise amounts. However, readers should be aware that the figures can only be regarded as indicative for the purposes of projecting funding shortfalls and savings in future years.

- Arrears: as a comparatively affluent area, council tax arrears are generally low in Charnwood; however, where council tax benefit is payable, arrears increase to 16.2% of cases, further increasing to 25.9% of cases when just the Working Age benefit claimants are considered

35. The full Coactiva report is available as a background paper.

Opportunities arising from the proposed technical changes in council tax

36. The Council can take advantage of proposed technical changes in council tax and reduce or eliminate discounts and exemptions on empty properties and second homes. These are:

- Class A - Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to 12 months)
- Class C - A vacant dwelling, i.e. empty and substantially unfurnished (up to 6 months)
- Discount on Second Homes

37. A and C exemptions are financially significant; reducing these exemptions to 50% might create additional annual revenue in the order of £80k and £350k² respectively.

38. The Second Home discount is not financially material.

Summary of consultation responses

39. Consultation approach:

- The main public consultation was a web-based approach generated through joint working with other Leicester local authorities and Rutland County Council
- The public consultation was supplemented with a series of 'road show' events to ensure stakeholders such as The Bridge, Citizens Advice Bureau, other voluntary sector organisations and social landlords were suitably consulted on the issues and proposals
- Major preceptors – Leicestershire County Council and the Police and Fire Authorities – are key stakeholders for these proposals; officers from the major preceptors have been fully engaged through workshops developing the joint Leicestershire and Rutland framework scheme in addition to formal correspondence.

² This estimate assumes that a full discount would be offered for the initial month of void; this approach is in line with the approach of other Leicestershire Districts and is designed to reduce the number of small bills that would be uneconomical to collect.

40. Overview of web-based survey results:

- A total of 287 responses were received – this is considered reasonable for this type of consultation and is in line with the numbers received in other Leicestershire Districts running this survey
- More Females than Males responded to the consultation
- The average age of respondents was 43 with the majority of respondents being of working age
- An issue exists with proportionally few responses from the 18-25 age group; however, this is in common with other surveys of this type and was mitigated by efforts in the latter weeks of the survey to increase response rates from this group
- Limitation of the data collected means that it is not possible to determine which respondents are on low or minimum wages, although it is possible to say that every ward is represented in responses based on the postcode analysis

41. Specific responses to the detailed web questions include the following:

- Proportion of respondents who believe the council should protect the vulnerable from paying more – 83%
- Proportion of respondents who believe that everyone apart from pensioners should pay something towards their council tax – 56%
- Proportion of respondents who believe that everyone apart from pensioners should pay a minimum of 10% towards the council tax - 49% (versus 44% who disagree with this)
- Proportion of respondents who believe that everyone apart from pensioners should pay a minimum of 20% towards the council tax - 27% (versus 61% who disagree with this)
- Proportion of respondents who believe people living in more expensive properties should get less council tax support – 57%
- Proportion of respondents who believe individuals receiving council tax benefit should be given extra help, for a limited period, when they start to work – 62%
- Proportion of respondents who believe that the incremental contributions towards an individual's council tax should increase by more than 20p for every additional £1 earned – 46% (versus 40% who disagree with this)
- Proportion of respondents who believe that other adults other than the claimant (essentially non-dependant children) should be expected to contribute more towards the council tax bill than at present – 57%

- Proportion of respondents who believe that the second adult rebate (arising where claimants live with a low income individual who is not their partner) should be stopped – 55%
- Proportion of respondents supporting a reduction from the current £16,000 limit on savings, above which an individual would not qualify for council tax benefit – 45% supportive, 45% disagree
- Proportion of respondents supporting the proposition that no help will be offered to individuals qualifying for less than £5 per week in council tax benefit – 45% (versus 40% who disagree with this)

42. Key comments from preceptors:

- The principle of partnership working adopted by Leicestershire Districts is strongly supported
- The development of new local schemes that are designed to be financially sustainable is strongly supported
- The preceptors are fully behind the proposal that councils across Leicestershire should use some of the new flexibilities around removal of discounts for empty and second properties to make up the shortfall and reduce the impact on current recipients of council tax benefit
- A 'hardship fund', to mitigate the impact of the new local schemes on council tax benefit recipients should be introduced
- It is recognised that many local authorities will wish to design schemes so as to take advantage of the transitional funding on offer

43. The detailed consultation responses and associated correspondence are included as background papers to this report.

44. Following the new Government guidance on scheme design (see paragraph 26) it was deemed necessary to undertake a supplementary consultation exercise in conjunction with other Leicestershire local authorities to validate the local scheme proposed in this report. This consultation will be complete at the date of the Cabinet meeting but at the time of drafting this report, the consultation has not yet taken place and a verbal update will be offered on the night. However, given that the proposed scheme set out in this report has less impact on the vulnerable than the scheme originally proposed it is unlikely that this additional consultation will result in the extant proposals being amended.

Proposed solution

45. The solution proposed consists of the following elements:

1. New local Council Tax Support Scheme

In the light of the information and feedback set out above a new local scheme that is financially sustainable (in conjunction with other measures) is proposed. This scheme is designed to be compliant with

Government guidelines released on 16 October 2012 and thereby enabling the Council to qualify for transitional grant funding.

Set out at Appendix A, the local Council Tax Support Scheme for Charnwood is based upon the 'core' (or framework) scheme developed in partnership with Leicestershire and Rutland local authorities. The core scheme consists of a maximum eligibility cap, set individually by each authority in the range 80% - 91.5%. This is combined with amendment of other allowances existing within the current Council Tax Benefit Scheme which, again, can be set by individual local authorities in response to local circumstances.

The specific scheme for Charnwood incorporates an eligibility cap of 91.5% - a relatively lower impact on the vulnerable – together with removal of benefits where other adults live within the dwelling

Taken together, the above, would generate savings based on the existing benefit scheme and benefit caseload in the order of £460k, in gross terms (ie. assuming all additional council tax due can be collected).

In practice it is likely that much of this incremental council tax billing will prove uncollectible. Precise predictions are difficult but based on existing arrears history it is projected that around 20% of the additional income may not be realised.

II. Discretionary Discount Fund

The resident survey clearly demonstrated that a majority of respondents thought that the vulnerable should be protected. However, other than war widows (who are a small claimant group), protecting other classes of vulnerable, such as those with dependant children or disabilities is not practical due to the size of these claimant groups; protecting such a group would result in unacceptably large benefit reductions for other claimants. In response to this issue councils in Leicestershire are proposing to create individual Discretionary Discount Funds in each local authority area. The Fund will have common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base. The total funding for Charnwood is proposed at £93k, of which Charnwood Borough Council will fund £11k with the balance provided by major preceptors.

Detailed proposals in respect of this fund are set out at Appendix B.

III. Technical changes to council tax

The Council will take advantage of proposed technical changes in council tax to eliminate discounts on empty properties and second homes. These existing exemptions (which will be reduced to 50%³) are:

³ Class C discounts will be 100% for the first month to reduce the number of uneconomical bills, reverting to 50% for ensuing months. Rules state that the percentage discount in respect of Class A cannot be altered within the discount period so the discount offered will be 50% from day one.

- Class A - Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to 12 months)
- Class C - A vacant dwelling, i.e.empty and substantially unfurnished (up to 6 months)
- Discounts on Second Homes

Additional net council tax billings in respect of these changes are estimated at £430k. In addition to the extra revenue generated it is envisaged that these changes will encourage owners to bring empty properties back into use more swiftly.

Appendix A

Leicestershire, Leicester and Rutland Local Council Tax Support Core Scheme

Proposed scheme for Charnwood Borough Council

The proposed scheme set out below is based on the core scheme developed by Leicestershire and Rutland local authorities in conjunction with major preceptor partners.

The options and parameters selected for Charnwood are in response to local demographic circumstances and reflect the results of the resident's survey undertaken in respect of legislative changes to the existing Council Tax Benefit Scheme.

Cap rate range	80% - 91.5%
Option selected	91.5% £443,534⁴ - Estimated saving
Comment	Minimises impact on the vulnerable and low income families based on scheme parameters but still incentivises work Allows the Council to qualify for transitional grant funding
Survey results	<ul style="list-style-type: none">• Proportion of respondents who believe the council should protect the vulnerable from paying more – 83%• Proportion of respondents who believe that everyone apart from pensioners should pay something towards their council tax – 56%• Proportion of respondents who believe that everyone apart from pensioners should pay a minimum of 10% towards the council tax - 49% (versus 44% who disagree with this)• Proportion of respondents who believe that everyone apart from pensioners should pay a minimum of 20% towards the council tax - 27% (versus 61% who disagree with this)

Under the current Council Tax Benefit Scheme entitlement is based on 100% of the household's Council Tax liability. Under these proposals we intend to achieve savings in relation to LCTS by capping the liability used in the calculation. This will reduce the amount of support paid. The cap rate range locally is proposed to be 80% to 91.5% as this will allow local authorities to set a rate suitable for local needs and demographics.

Additional Options

This Scheme offers Councils the opportunity to be flexible to suit local needs. Councils can choose to add, remove or vary items from the additional options to tailor their scheme. For example, a Council might choose to continue to operate an extended payment scheme to support customers returning to work.

⁴ Estimated savings are based on the Coactiva data analysis at 30 April 2012

The Charnwood options selected are set out as follows:

Charnwood options	Comments	Estimated Saving
Vary existing 20% taper - No change proposed	Tapers reduce discount for claimants with income above their needs allowance. Increasing tapers will deliver savings but this may act as a work disincentive. Residents survey result: <ul style="list-style-type: none"> • Proportion of respondents who believe that the incremental contributions towards an individuals council tax should increase by more than 20p for every additional £1 earned – 46% (versus 40% who disagree with this) • The introduction of this proposal may leave the Council at risk of legal challenge Also: Increasing the taper risks invalidating the Council's claim for transitional funding	None
Retain extended payments - Retained	This is a low cost option to support people starting work and acts as a work incentive. Residents survey result: <ul style="list-style-type: none"> • Proportion of respondents who believe individuals receiving council tax benefit should be given extra help, for a limited period, when they start to work – 62% Also: Removing these payments risks invalidating the Council's claim for transitional funding	None – payments retained
Introduce capping by valuation band - Restrict to Band D and below	Awards are limited to lower Council Tax bands providing LCTS savings. Residents survey result: <ul style="list-style-type: none"> • Proportion of respondents who believe people living in more expensive properties should get less council tax support – 57% However: This restriction risks invalidating the Council's claim for transitional funding	None -not selected as an option

Charnwood options	Comments	Estimated Saving
End second adult rebate scheme - Second adult rebate to be discontinued	Easy savings to deliver and tax likely to be recovered but savings achieved will be small. Residents survey result: <ul style="list-style-type: none"> Proportion of respondents who believe that the second adult rebate (arising where claimants live with a low income individual who is not their partner) should be stopped – 55% 	£19,660
Reduced unearned income disregards - Not selected as an option	Savings could be achieved but this would need to be carefully considered against equality legislation in relation to child poverty and disabilities. Not selected by Charnwood on grounds above.	None -not selected as an option
Increase non dependant deductions - Increased by 25%	Increase the amount of deduction made for other adults living in the household but may only deliver small to modest savings. Residents survey result: <ul style="list-style-type: none"> Proportion of respondents who believe that other adults other than the claimant (essentially non-dependant children) should be expected to contribute more towards the council tax bill than at present – 57% However: Removing this relief risks invalidating the Council's claim for transitional funding	None - not selected as an option
Decrease savings limit or modify tariff incomes. - No change to capital limit	Excludes or reduces LCTS entitlement for claimants with a range of savings above £3,000. Residents survey result: <ul style="list-style-type: none"> Proportion of respondents supporting a reduction from the current £16,000 limit on savings, above which an individual would not qualify for council tax benefit – 45% supportive, 45% disagree However, in practice these sums are difficult to collect 	None - not selected as an option

Total gross savings generated from these measures

£463,194

APPENDIX B

Proposal for Discretionary Discount Scheme Funding

This document sets out proposals for the Leicestershire and Rutland scheme together with specific funding detail for each local authority.

Name:	The Leicestershire and Rutland Council Tax Support Scheme - Discretionary Discount Scheme Proposal
Date:	6th September 2012
Author:	Localisation of Council Tax Programme
Release/Version:	Draft V2.0

This document forms part of the Leicestershire and Rutland Council Tax Support Scheme.

This document has been distributed to:

Name	Title	Date	Version
Leicestershire County Council	Chris Tambini, Jason Firth and James Rossell	05.09.12	V2.0
Leicestershire Fire and Rescue Service	Trevor Peel	05.09.12	V2.0
Police Authority	Paul Dawkins	05.09.12	V2.0
DCEX	District Chief Executives	06.09.12	V2.0
RCC	Rutland County Council Senior Management Team	06.09.12	V2.0
LCC	Leicester City Council Senior Management Team	06.09.12	V2.0
Preceptors	Leicestershire County Council, Leicestershire Police Authority, Leicestershire Fire and Rescue Service	11.09.12	V2.0

Background

Under existing arrangements, residents can be eligible for help with their housing costs from three principal areas:

- Crisis Loans
- Social Fund Loans
- Discretionary Housing Payments

Crisis Loans can help families or individuals cover immediate short term needs (such as residential charges for a hostel), while Social Fund loans tend to be targeted towards ongoing living assistance (such as household equipment). Discretionary Housing Payments are very much focussed on supporting the payment of rent.

Both Crisis Loans and Social Fund Loans are administered by Jobcentre Plus at present but administration is due to pass to local authorities from 1 April 2013. Discretionary Housing Payments (DHPs) are currently administered by local authorities, an arrangement which will continue.

Appendix A describes individual assistance measures available to residents in more detail.

Fundamentally, while the detail of future national funding to assist vulnerable residents with their housing costs is not yet available, at best it is likely to be restricted to existing levels. However, the impact on vulnerable residents will be increased significantly due to the impact of the new Local Council Tax Schemes.

Overall, it is likely that demand for financial support for residents will continue in 2013, and there is an expectation that this demand will increase as a series of changes to Welfare and Benefits rolls out.

In response to the above, Leicestershire and Rutland authorities are therefore proposing that a new Discretionary Discount is created to support hardship related to the new Local Council Tax Schemes.

Duration

It is proposed that a Discretionary Discount, operating in accordance with the principles set out below, is agreed amongst billing authorities and major preceptors for the financial years 2013/14 to 2015/16 inclusive,

Eligibility

The Discretionary Discount will be administered through the use of 'eligibility' criteria, in similar manner to the existing DHPs. A detailed policy setting out the proposed eligibility criteria for the new fund is set out at Appendix B.

Administration

Administration of the new fund will be undertaken by Unitary and District Council staffs who currently administer the existing DHPs. This will be undertaken alongside the administration of the new council tax arrangements. Appropriate functionality to record Discretionary Discounts is being developed by council tax system software providers.

Funding

Funding for the new Discretionary Discount will be shared amongst billing authorities and major preceptors, in proportion to individual precept amounts. The initial proposal is that the total Discretionary fund will be 1% of the total council tax benefit paid during 2011/12 by each billing authority. The proposed contributions are tabulated below for each billing authority and preceptor.

Justification of proposal:

The nearest equivalent fund existing at present is that for Discretionary Housing Payments. DWP provide 0.5% subsidy to each local authority based on the total benefit paid out in the preceding year. Local authorities are expected to spend the whole of this amount; further, authorities also have the ability to make additional payments and may make payments totalling up to a maximum of 2.5 times the subsidy awarded (ie. equivalent to 1.25% of the benefit paid out). On this basis a total contribution of 1% of the council tax benefit paid appears reasonable

Review and monitoring of payments

At the time of drafting this proposal it is not clear which resident groups are likely to seek assistance in respect of council tax payments. The funding proposals should therefore be considered alongside the proposed arrangements for the ongoing review and monitoring processes that will be put in place with the Fund.

In general, payments will be monitored monthly in the first year of the Local Council Tax Scheme. More detailed monitoring arrangements will be proposed when council tax system software to manage payments is available.

Funding allocations

Total council tax benefits payments 2011/12			
Total council tax benefit paid out in 2012		1% of the total council tax benefit paid out = PROPOSED DISCRETIONARY FUND	
Rutland	£1,871,717	Rutland	£18,720
Blaby	£4,630,678	Blaby	£46,310
Charnwood	£9,297,088	Charnwood	£92,970
Harborough	£3,519,268	Harborough	£35,190
Hinckley and Bosworth	£5,831,863	Hinckley and Bosworth	£58,320
Melton	£2,544,301	Melton	£25,440
NW Leicestershire	£5,895,084	NW Leicestershire	£58,950
Oadby and Wigston	£3,095,715	Oadby and Wigston	£30,960

Source: Cell 144 of Housing Benefit and Council Tax Benefit subsidy 2011/12 as completed by each Billing Authority

Contributions to the fund will be shared between local authorities and preceptors in shares proportional to their precept, as set out below:

Rutland	
1% of 2011/2012 Council Tax Benefit payable	£18,720
RCC share of precept 86.60%	£16,211
LCC Share of precept	Not applicable
LPA Share of precept 10.25%	£1,918
CFA Share of precept 3.15%	£589

Blaby	
1% of 2011/2012 Council Tax Benefit payable	£46,310
Blaby share of precept 14.13%	£6,543
LCC Share of precept 70.74%	£32,759
LPA Share of precept 11.57%	£5,358
CFA Share of precept 3.55%	£1,644

Charnwood	
1% of 2011/2012 Council Tax Benefit payable	£92,970
Charnwood share of precept 11.92%	£11,085
LCC Share of precept 72.56%	£67,463
LPA Share of precept 11.87%	£11,035
CFA Share of precept 3.64%	£3,384

Harborough	
1% of 2011/2012 Council Tax Benefit payable	£35,190
Harborough share of precept 13.62%	£4,792
LCC Share of precept 71.17%	£25,044
LPA Share of precept 11.64%	£4,096
CFA Share of precept 3.57%	£1,256

Hinckley & Bosworth	
1% of 2011/2012 Council Tax Benefit payable	£58,320
H & Bosworth share of precept 10.55%	£6,151
LCC Share of precept 73.70%	£42,981
LPA Share of precept 12.05%	£7,027
CFA Share of precept 3.70%	£2,157

Melton	
1% of 2011/2012 Council Tax Benefit payable	£25,440
Melton share of precept 13.55%	£3,447
LCC Share of precept 71.22%	£18,118
LPA Share of precept 11.65%	£2,963
CFA Share of precept 3.58%	£910

North West Leicestershire	
1% of 2011/2012 Council Tax Benefit payable	£58,950
NWL share of precept 14.57%	£85.89
LCC Share of precept 70.38%	£41,489
LPA Share of precept 11.51%	£6,785
CFA Share of precept 3.53%	£2,080

Oadby and Wigston

1% of 2011/2012 Council Tax Benefit payable	£30,960
OWBC share of precept 13.57%	£4,201
LCC Share of precept 71.21%	£22,046
LPA Share of precept 11.65%	£3,606
CFA Share of precept 3.57%	£1,105

Discretionary Discount Scheme – proposed eligibility criteria

Name:	The Leicestershire and Rutland Council Tax Support Scheme - Discretionary Discount Scheme Proposal and Policy
Date:	3rd September 2012
Author:	Leicestershire and Rutland Welfare Practitioners Group
Release/Version:	Draft V4.0

Approvals

This document forms part of the Leicestershire and Rutland Council Tax Support Scheme. The following people are points of contact for the scheme and are the point of contact for the approval of the scheme within each authority

Name	Authority	Date
Martyn Bowen	Melton BC	3.9.2012
Leigh Butler	Hinckley & Bosworth BC Harborough DC North West Leicester DC	3.9.2012
Jason Firth	Leicestershire County Council	3.9.2012
Andrea Grinney	Rutland County Council	3.9.2012
Caroline Jackson	Leicester City Council	3.9.2012
Daren Nolan	Oadby & Wigston BC	3.9.2012
Graham Perkins	Blaby DC	3.9.2012
David Platts	Charnwood BC	3.9.2012
James Rossell	Leicestershire County Council	3.9.2012
Leila-Jane Wilson	Programme Manager Localisation of Council Tax Programme	6.9.2012

This document has been distributed to:

Name	Title	Date	Version
LALAT	Chief Accountants group	08-08-12	V2.0
WRPG	Welfare Reform Practitioners Group	15-08-12	V3.0
DCEX	District Chief Executives	06-09-12	V4.0
RCC	Rutland County Council Senior Management Team	06-09-12	V4.0
LCC	Leicester City Council Senior Management Team	06-09-12	V4.0
Preceptors	Leicestershire County Council, Leicestershire Police Authority, Leicestershire Fire and Rescue Service	11-09-12	V4.0

Revision History

Version	Date	Summary of Changes
1.0	30.5.2012	First issue.
2.0	28.6.2012	Revised following comments from WPG
3.0	15.8.2012	Revised following comments from LALAT
4.0	3.09.2012	Revised following inclusion of S13A matters

1. Background

- 1.1 The Leicestershire, Leicester City, Fire, Police & Rutland authorities have co-operated and shared best practice to develop a shared Council Tax Support Scheme. The group has devised a shared Discretionary Discount Policy/Guide to ensure that the most vulnerable members of the community are protected in line with the requirements of the government's localisation of Benefits, under which from April 2013, Councils must have in place local schemes for the administration of the scheme which will replace the existing Council Tax Benefits Scheme.
- 1.2 This change to local taxation benefits systems is amongst the first of a very wide range of changes to the national welfare benefits framework which begins in earnest from next year.
- 1.3 The government is making a number of changes from April 2013 in relation to Council Tax exemption classes A and C and also ending the current scheme for council tax benefit in favour of a Local Council Tax Discount. The Council therefore intends to set up a discretionary Local Council Tax Discount Scheme to offset the most severe impacts of these reforms on vulnerable persons
- 1.4 The Discretionary Council Tax Support Scheme will operate along the lines of the existing Discretionary Housing Payments policy and will permit officers the discretion to provide reductions in Council Tax under the policy from 0% to 100% of the remaining Council Tax liable amount.
- 1.5 The scheme will be locally funded but will seek a contribution from precepting authorities to offset the full cost of the schemes operation. The scheme will be subject to a budget cap each year set by the Council.

2. Legislative Framework

- 2.1 The following legislation and regulations are relevant to this document:
- i. The Local Government Finance Act 2012
 - ii. The Local Government Act 1992 Section 13A(2)
 - iii. The Leicestershire & Rutland Local Council Tax Support Scheme 2012
 - iv. Child Poverty Act 2010
 - v. Equality Act 2010 (incorporating the Disabled Persons Act 1986)
 - vi. Housing Act 1996
 - vii. Armed Forces Covenant
 - viii. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
 - ix. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 Default Scheme
 - x. Social Security Act 1992

3. Objectives

- 3.1 This policy aims to set up a local Council Tax discount scheme to support local persons experiencing hardship and who are unable to pay their Council Tax. The discount will be known as the Discretionary Council Tax Support Scheme but will operate under the legal framework outlined in Section 13A of the Local Government Finance Act 1992.
- 3.2 The government have prescribed a national pension age scheme that will ensure that pensioners are not worse off under the local council tax support scheme.
- 3.3 The government have not prescribed any vulnerable groups, having regard to local authorities' defined responsibilities, in relation to, and awareness of the most vulnerable groups and individuals in their areas through an Equality Impact Assessment.
- 3.4 The Discretionary Discount Policy will specify those individuals and groups who are eligible to access the fund and explain the claim process.
- 3.5 The Discretionary Discount Policy will be mindful of the directive to incentivise work. In doing so reduce worklessness and dependency on benefits in line with the governments expectation.
- 3.6 It should be noted that where the Council has a discretionary power, it must not fetter it's discretion by having a set of rules that are inflexible. Each case must be considered on its own merits, determined within the budget provided and administered under the framework set out in this policy.

4. Criteria

- 4.1 Fundamental to The Discretionary Discount Policy is a clear indication of the groups or individuals that can be considered eligible to claim additional council tax support from the Discretionary Discount Scheme.
- 4.2 The fund has financial limitations and as such awards can only be made based on eligibility and having regard to the level of funding available or remaining within the Discretionary Discount Scheme each financial year.

4.3 Before any award will be considered, the taxpayer must require further financial assistance with Council Tax due to the conditions detailed in section 5, Eligibility.

4.4 Unless specified, all criteria and conditions that apply to The Leicestershire & Rutland Local Council Tax Support Scheme 2012, will also apply to The Discretionary Discount Policy.

5. Equalities

5.1 The Council is committed to equality and fairness. Equality is about ensuring people are treated fairly and given fair chances. It is also about ensuring that people receive fair outcomes in the standard of service they receive from the Council and equality of access to Council Services. This incorporates everyone, regardless of their race, gender, age, religion or belief, sexual orientation, marital or civil partnership status and/or disability in line with the principles set out in the Equalities Act 2010.

5.2 A number of groups have been defined as being eligible to submit a claim for Discretionary Discount. The groups are listed in the table below:

Types of vulnerable people
The applicant or household or a dependent child in receipt of the middle or higher rate of Disability Living Allowance (DLA)
The applicant or household is a disabled adult living in supported living accommodation who have carers and are unable to work due to their health
The applicant or household is in receipt of Employment Support Allowance (ESA) with support component
The applicant or household is a care leaver up to the age of 22 years
The applicant or household is deemed vulnerable through drug or alcohol dependency who are attending a rehabilitation programme
The applicant or household has suffered domestic violence and is being supported by accredited local schemes to move into permanent accommodation, inclusive of forced marriages
The applicant or household is a foster carer and has current foster child placements
The applicant or household has dependent children under the age of 5 and is living on income support
Applicant or households who provide care who are single or a couple, and have no other income (other than income support) where they are in receipt of carers allowance
The applicant or household is a foster carer (child or adult) and is in between foster care placements
The applicant or household has parental care responsibility for non-resident children
The applicant or household is a hostel leaver where they were resident in a hostel engaging with support while resident. Minimum period of hostel residency is 3 months

5.3 There may be a number of vulnerable individuals who do not fall into any of the above categories. In this event awards may be considered due to severe financial hardship, please refer to section 6 below.

6. Severe Financial Hardship

- 6.1 Applications will be accepted on the basis that the applicant or household would suffer severe financial hardship if financial assistance were not given.
- 6.2 Individuals in this group will not be defined but need to be able to demonstrate their circumstances and have exhausted other sources of income that are available to them.
- 6.3 Each case will be considered on its own merits.
- 6.4 Care will be taken to ensure the applicant or household has access to independent financial advice and support.
- 6.5 Examples of applicant or households who may potentially be awarded Discretionary Discount support are:
 - i. Recently bereaved and suspension of other benefits have caused a disruption to income
 - ii. Terminally ill and unable to contribute to the household income
 - iii. Recovering from a serious illness and unable to contribute to the household income
 - iv. Recently released from prison and under probation
- 6.6 Applications for Discretionary Council Tax Support (DCTS) should be one of last resort. Applicants will be expected to have explored and secured any lawful entitlement to other benefits, incomes and reductions in preference to claiming DCTS. Applicants will need to ensure they are able to satisfy the Council that they have taken all reasonable steps to resolve their own situation prior to application.
- 6.7 Applications will be considered if the above apply and:
 - i. There is evidence of financial hardship or personal circumstances that justify an award
 - ii. The applicant or household has supplied all evidence requested by the Local Authority in respect of their claim for the Local Council Tax Support Scheme
 - iii. The applicant or household must have applied for any appropriate discount or exemption and supplied any evidence requested by the Local Authority in respect of that application
 - iv. The applicant or household does not have access to any other financial assets that could be realised to pay the council tax
 - v. The applicant or household must not be avoiding outstanding council tax due to wilful refusal or culpable neglect
 - vi. The Council's finances must allow for an award to be made

7. How to claim

- 7.1 A claim should be made in writing or on line using the approved claim form together with supporting evidence as required.
- 7.2 Claims can also be made by a referral process. Please see Section 10, Referrals from other sectors.

- 7.3 The applicant must be the person liable to pay the council tax, or be their representative with authority to act on their behalf i.e. Power of Attorney
- 7.4 Claims can only be made to and accepted by the billing authority who issues the taxpayer their Council Tax Demand Notice.
- 7.5 If an applicant or household needs advice and support to complete a claim form, the applicant or household will be signposted to an appropriate service that offers support relevant to the needs of the applicant or household.
- 7.6 The applicant must set out the reasons for applying including explaining any special circumstances or hardship being experienced.

8. Information required to support a claim

- 8.1 Evidence will be required to substantiate a claim from the Discretionary Discount.

Evidence can include, but is not limited to:

- A household income statement; using a prescribed form
- A household expenditure statement; using a prescribed form
- Supporting evidence may be requested such as utility bills
- Evidence of seeking debt advice, if appropriate

- 8.2 Evidence may be requested that is relevant to the nature of the Claim i.e. evidence of illness. It should be noted that no costs will be borne by the Authority in circumstances of this nature.
- 8.3 Failure to provide supporting information and evidence that is requested may lead to a refusal.
- 8.4 Care will be taken by staff to ensure that the applicant or household is treated fairly and respectfully and that only relevant information and evidence is requested.
- 8.5 All information and evidence provided will be treated in confidence and in accordance with the Data Protection Act 1998.
- 8.6 Where the Council requires additional information or evidence it will write to the applicant requesting the information is supplied within one calendar month.
- 8.7 The applicant is required to report any changes in their circumstances or of the circumstances of household members immediately in writing to the Council. A failure to report changes may lead to a loss of DCTS, result in an overpayment which will be recoverable from the Council Tax account and lead to prosecution where appropriate.

9. Notice of decision

- 9.1 The Council will provide a written notice of its decision to the applicant or their representative. The decision notice will set out:

- i) The amount of the award (if any)
- ii) The period of the award (if any)
- iii) Provide details of how to appeal or obtain more information about the decision
- iv) Provide details of how the award (if any) will be made

Provide a summary of the factors considered in reaching the decision.

- 9.2 On the provision of all satisfactory requested information, a decision will be made where practicable within 14 working days.

10. Referrals from other sectors

10.1 The billing authority will accept referrals from:

- Leicester City, Leicestershire County Council, Social Services Team
- Leicester, Leicestershire & Rutland Combined Fire Authority
- Leicestershire Policy Authority
- Third sector organisations i.e. Citizens Advice Bureau, welfare rights

10.2 The approved referral form should be completed and returned to the relevant billing authority.

10.3 The Leicestershire and Rutland billing authorities and the organisations above have a Service Level Agreement (SLA) in place to ensure the agreed process is adhered to.

10.4 Referrals will be monitored and reviewed in accordance with the SLA.

11. Alternative sources of financial assistance

11.1 Various alternative sources of financial assistance exist with the public, private and voluntary sectors, if support from The Leicestershire and Rutland Council Tax Support Discretionary Discount is not awarded, applicant or households will be signposted to alternative sources of financial assistance.

12. Debt Advice

12.1 It is recognised that debt and poverty are linked. In most cases the billing authority will expect the applicant or household to seek debt/money management advice as a long term solution to financial problems.

12.2 Working age applicant or households are also expected to move into work if they are able to reduce their dependency on support. With this in mind applicant or households should receive more income from work than out of work. Work incentives will be a factor when determining awards from The Leicestershire and Rutland Council Tax Support Discretionary Discount Scheme.

12.3 Billing Authorities will signpost applicant or households to debt advice service in their area, evidence of taking and adhering to advice may be requested from the applicant or household when making an application for Leicestershire and Rutland Council Tax Support Discretionary Discount Scheme.

13. Backdating

13.1 Applications for Discretionary Discount may be backdated up to 1 calendar month from the date the written application is received where continuous good cause exists throughout the period for the delay in making the application

14. Determining awards

14.1 The Council will consider each application on its own merits. This will ensure that each application is treated in an open and consistent manner, whilst considering individual circumstances.

- 14.2 The Council will be under no duty to assess applications not made in the approved manner.
- 14.3 Where information or evidence requested has not been received within one calendar month, the Council will determine the application on the basis of the evidence and information in its possession. The Council will make an adverse inference in respect of any information or evidence not supplied by the applicant within the one calendar month time limit.
- 14.4 Nothing in this policy shall permit the Council to reduce the Council Tax charge for any day to less than NIL.

DCTS may only be awarded in respect of Council Tax liability.

- 14.6 The order of discounts will be maintained in line with the Local Government Finance Act; therefore the maximum amount of DCTS that can be claimed for any day will be net of other discounts and reductions already awarded.
- 14.7 Awards will have a defined start and end date. This information will be provided to the applicant or household when the decision is made.
- 14.8 Awards may be a one off payment, an award for a short period of time or until the applicant or households circumstances change or for a full financial year. This will be detailed when a decision is made.
- 14.9 Awards will stop immediately if the applicant or household or their representative has misrepresented or failed to disclose a material fact, fraudulent or otherwise. The authority may look to recover any overpayment of award but instances of proven fraudulent activity will seek to recover in all cases.

15. Method of Payment

- 15.1 Awards will be credited directly to the applicant or households/liable persons' council tax account. This will have the effect of reducing the council tax liability.
- 15.2 Taxpayers may find that the award does not reduce their council tax to zero. If taxpayers have council tax to pay, they should contact the recovery section as early as possible and make arrangements to pay the sum due.

16. Appeals

- 16.1 Applicants may appeal against a decision within one calendar month of the decision notice where:

- i. They have not been awarded DCTS for a day; or
- ii. Where they feel the award should be increased.

- 16.2 Appeals must be:

- i. Be submitted in writing;
- ii. Received at the Council offices within one calendar month of the date of the decision notice;
- iii. Signed by the applicant;
- iv. Outline the grounds for appeal;

- 16.3 Applicants will not have the right of appeal:

- i. Where their appeal is received by the Council more than one calendar month after the date of the decision notice;
- ii. Where the Council has already made a determination of appeal in respect of the matter;
- iii. For any day on which they have received 100% discount or exemption;
- iv. For any request to backdate the award for more than one calendar month from the date of application;
- v. Where the Council has no remaining budget provision;
- vi. Where the Council has made an adverse inference decision;
- vii. In any case where the Council was under no duty to make a decision.
- viii. Local Council Tax Support scheme suspensions where there is doubt about entitlement
- ix. Shortfalls caused by the recovery of overpaid Local Council Tax Support

16.4 Any appeal under this scheme will be determined within one calendar month of receipt of the appeal or as soon as reasonably practicable.

16.5 Appeal decisions are final and may not be further challenged except where legislation permits. The Council will write to the applicant once their appeal has been considered and will explain:

- i) The amount of the award (if any);
- ii) The period of the award (if any);
- iii) Provide details of how the award (if any) will be made;
- iv) Provide a summary of the factors considered in reaching the decision.

17. Recovery of an overpaid discretionary discount award

17.1 The Council may recover any overpayment of Discretionary Discount that has been paid by removing the discount from the account.

18. Fraud

18.1 The Council may always correct any award made under this scheme where fraud or error has occurred.

18.2 Where a customer has failed to provide information or has knowingly supplied false or misleading information the Council reserves the right to withdraw any award made under this scheme.

18.3 Furthermore, the Council reserves the right to investigate any the alleged offences, to levy penalties in accordance with the law and to prosecute anyone who has committed a criminal offence.

19. Data Sharing and Fair processing

19.1 The Council may use any evidence and information supplied to it in respect of DCTS to check the eligibility of the applicant in respect of this scheme or any other welfare benefit, discounts or exemptions.

19.2 The Council take parts in data matching exercises as part work to assist in the prevention and detection of fraud. Data matching involves comparing sets of our data, such as council tax or benefit records against other records held by the Council or other bodies to see how far they match. Data matching allows potentially fraudulent claims, reductions and payments to be identified. Where a match is found it indicates that there is an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The processing of personal information by the Council for data matching exercises is carried out in accordance with the Data Protection Act 1988; specifically under section 29 of that act. This means the Council does not require the consent of the individuals concerned

20. Publicity

20.1 The Leicestershire and Rutland Council Tax Support Discretionary Discount will be publicised across the region.

20.2 The following methods of communication may be used:

- Leaflets and posters
- Information with decision notices for the Local Council Tax Support Scheme where there is a shortfall
- Face to face and verbal when visiting or telephoning the council offices
- Information on billing authority websites
- Information for 3rd sector organizations and referrers
- Claim forms available to download or complete online
- Information with council tax reminders notices where the taxpayer is in receipt of Local Council Tax Support

21. Administration

21.1 Applications will be subject to the billing authority's usual quality control procedures and audit.

21.2 Home visits will be made available to applicant or households who are unable to attend the council offices and have no-one else to assist them.

21.3 Awards will be recorded and reported on monthly basis to Senior Management and to precepting authorities. Statistical information will be made available on the billing authorities website, personal data i.e. individuals names and addresses will be withheld and not published in accordance with The Freedom of Information Act 2000.

21.4 Reports will record the following: for both successful and unsuccessful claims per financial year:

- Name of applicant or household
- Address of applicant or household
- Ward of applicant or household (if relevant)
- The start/end date of the award
- The amount of the award
- The reason for the award/refusal/eligibility criteria
- Equality data to monitor the effectiveness of the EIA

21.5 Billing authorities may from time to time conduct a survey of all applicants to

seek opinions, satisfaction levels and to shape the scheme for future years.

22. Policy Review

22.1 The Leicestershire and Rutland Council Tax Support Discretionary Discount Policy/Guidance will be reviewed annually by 31st January each year.

22.2 Any major changes will be subject to consultation in accordance with best practice.

22.3 Leicestershire and Rutland Council Tax Support Discretionary Discount Policy will be published and available to view on billing authorities' websites.

23. Budget considerations

23.1 The Leicestershire and Rutland Council Tax Support Discretionary Discount Scheme will have a budget set each financial year for each local authority. This will be set in agreement with and with a contribution from major precepting authorities

23.2 Once available funds have been exhausted from the Discretionary Discount budget, no further awards will be made until a new financial year.

24. Legislation

24.1 Awards under this scheme are made in line with the Local Government Finance Act as outlined below:

- i) Section 13A and 76 Local Government Finance Act 1992 – The award of discretionary discounts.
- ii) Section 4 Local Government Finance Act 1992 - Dwellings may be exempt from Council Tax if they fall within one of the specified classes.
- iii) Section 11 Local Government Finance Act 1992 - The amount of Council Tax payable may be subject to a discount under where there is no resident, or all but one of them fall to be disregarded.
- iv) Section 13 Local Government Finance Act 1992 - The amount may be reduced where it is occupied by disabled person(s).

Appendix C

The Council will take advantage of proposed technical changes in council tax and set discounts and exemptions on empty properties and second homes as follows:

- Class A - Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to 12 months)
 - DISCOUNT 50%
- Class C - A vacant dwelling, i.e. empty and substantially unfurnished (up to 6 months)
 - DISCOUNT 100% for the first month
 - DISCOUNT 50% for subsequent months
- Discount on Second Homes
 - DISCOUNT 5%

Appendix D

Savings calculation and funding details for Charnwood Borough Council

Charnwood	
1% of 2011/2012 Council Tax Benefit payable	£92,970
<i>Charnwood share of precept 11.92%</i>	<i>£11,085</i>
LCC Share of precept 72.56%	£67,463
Leicestershire Police Authority Share of precept 11.87%	£11,035
Combined Fire Authority Share of precept 3.64%	£3,384

Administration Costs

As previously identified the introduction of the local scheme is likely to create additional demands on the Council's operations particularly around dealing with customer queries, and debt collection and recovery. Much of the additional activity can be attributed to the features of the local scheme and technical changes to council tax designed to deliver a financially sustainable arrangement. In recognition of the benefit they receive from this approach the major preceptors, Leicestershire County Council, and the Police and Fire Authorities, have agreed to contribute towards the Council's additional administration costs which for Charnwood equates to approximately 1.75fte or £39.5k per annum.

CABINET – 22ND NOVEMBER 2012

Report of the Overview Scrutiny Group

Part A

ITEM 6 LOCALISATION OF COUNCIL TAX SUPPORTPurpose of Report

To consider the comments and recommendations of the Overview Scrutiny Group concerning the Council's proposed responses to the measures set out in the Local Government Finance Bill concerning proposals for a local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme.

Recommendations of the Overview Scrutiny Group

The Group agreed with recommendations 1, 2, 4 and 5 of the Head of Revenues and Benefits and Customer Services. The Group proposed an alternative recommendation 3 (reasons set out at reason 3).

That it be recommended to Council:

1. that the proposed local scheme of Council Tax Support, as set out at Appendix A, be approved;
2. that the proposed Discretionary Discount Fund, as set out at Appendix B, be approved;
3. that the proposals to take advantage of new powers set out in the Local Government Finance Bill to vary statutory exemptions from council tax in respect vacant and unoccupied dwellings, be approved as follows:
 - “Class A - Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to 12 months)
 - DISCOUNT 50%”
 - “Class C - A vacant dwelling, i.e. empty and substantially unfurnished (up to 6 months)
 - DISCOUNT 100% for the first month
 - DISCOUNT 0% (or as close to 0% as possible) for subsequent months”
 - “Discount on Second Homes
 - DISCOUNT 0%”

4. that the financial support offered by major preceptors in respect of the proposed Discretionary Council Tax Discount Fund and the additional administrative costs that would be incurred by the Council under the proposed new arrangements, as set out at Appendix D be noted; and
5. that delegated authority be given to the Head of Revenues and Benefits and Customer Services, in consultation with the Lead Member, to make all detailed arrangements required to implement the proposed local scheme of Council Tax Support, the proposed Discretionary Council Tax Discount Fund and the variations to statutory exemptions from council tax.

Reasons

1. To agree a local scheme to be used to calculate Council Tax Support for one year from 1 April 2013.
2. To agree the introduction of a discretionary fund that will allow the Council to mitigate the impact of the proposed local scheme of Council Tax Support on the most vulnerable residents from 1 April 2013.
3. To remove the discount on Second Homes in order to spread the financial burden arising from the implementation of the proposed local scheme of Council Tax Support and the Discretionary Council Tax Discount Fund among those where it was more likely that they could afford to pay. To remove discounts on vacant dwellings after the first month in order encourage owners to bring empty homes back into use, this would bring benefits to the local community by increasing the availability of housing. To maximise Council Tax income in order that increased funds could be added to the Discretionary Discount Fund in future years with a view to expanding the criteria for a discretionary discount so that more vulnerable residents could be supported.
4. To ensure that Cabinet are fully aware of the financial implications of the proposals and the financial support offered by major preceptors.
5. To allow proposals to be implemented in accordance with the required timescales.

Policy Justification and Previous Decisions

Overview and Scrutiny Procedure Rule 8(d) sets out the procedure by which a report of a scrutiny committee should be considered by Cabinet.

Implementation Timetable including Future Decisions and Scrutiny

There are no implications concerning the implementation timetable, as a result of the recommendation in this report.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no further financial implications associated with these recommendations.

Risk Management

There are no specific risks associated with these recommendations.

Key Decision:	Yes
Background Papers:	No additional background papers.
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