

Consideration of Potential Council Tax Technical Reforms and the Design of a Localised Support for Council Tax Scheme

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Darienne Law, Head of Corporate Resources
REPORT AUTHOR: Angela Brown, Finance Manager

WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

Residents of Copeland will see the progress that the Council is making in delivering a new localised scheme for Council Tax Benefit as required by the Local Government Finance Bill.

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

(E.g. Key Decision, Policy recommendation for Full Council, at request of Council, etc.)

This report considers outline proposals for a draft local scheme for Localised Support for Council Tax (LSCT) to replace the current Council Tax Benefit Scheme. The report provides details of the proposed scheme based on the information available to date and the draft funding implications.

The report also considers other potential Council Tax Technical reforms.

RECOMMENDATIONS:

1. It is recommended that the Executive considers the outline proposed Localised Support for Council Tax (LSCT) options as set out in the report, and agrees;
 - (i) To adopt a local scheme that is identical to the Department for Communities and Local Governments default scheme.
 - (ii) That this scheme be the scheme in principle for the purpose of initial consultation with the Police Authority and Cumbria County Council.
 - (iii) To note that Government financial support to pay LSCT has been switched from an annually managed expenditure (AME) grant (i.e. currently we recover the full cost of all benefits granted) to a departmental expenditure limited (DEL) grant, resulting in a fixed budget. As well as being fixed, the grant will also incorporate a 10% reduction, the early estimation of the financial impact to the council could be in the region of £140K per annum. See para 5.2.3
 - (iv) To require officers to explore options for reducing the costs of the local scheme by exploring technical changes including freedoms to vary existing Council Tax Discounts in other areas to offset the financial impacts to the changes in Government funding and to receive a further report.
2. Agrees the timetable for implementation as per para 4. It is recommended that following initial consultation on the scheme, that the Executive on 21st August make

recommendations to Council on 6th September to consider the local scheme proposals and proposals for replacing existing Council Tax Discounts for consultation with existing stakeholders.

1. BACKGROUND

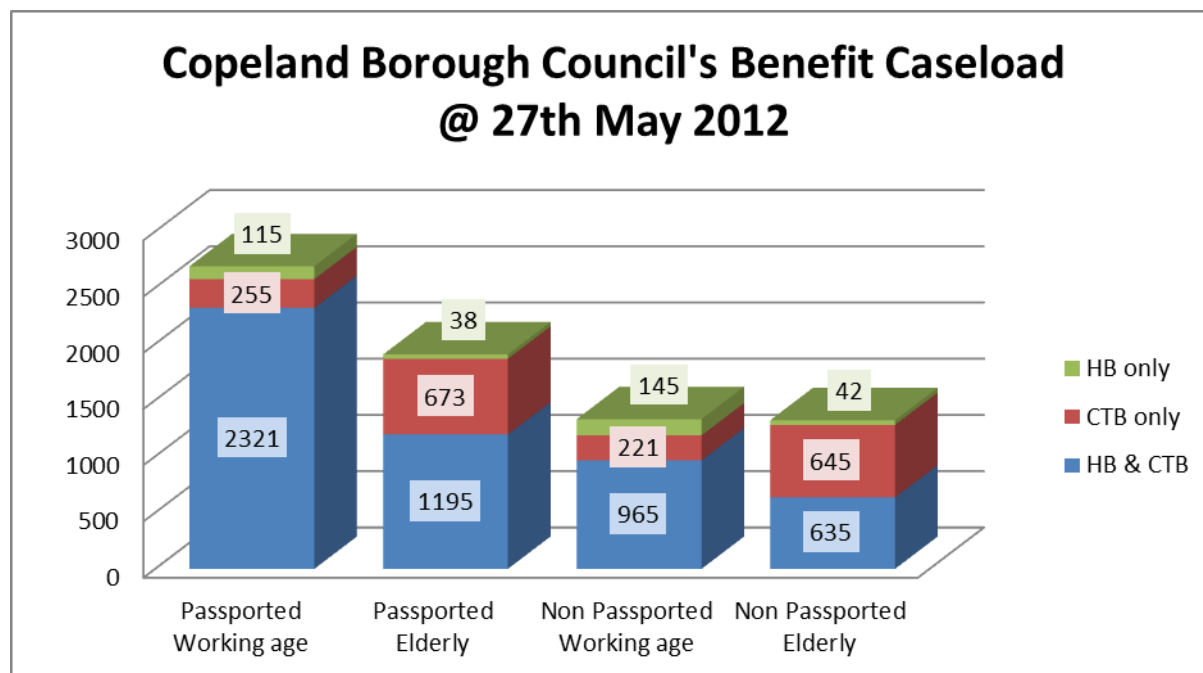
- 1.1. The Welfare Reform Act will abolish Council Tax Benefit (CTB) from 1st April 2013
- 1.2. The Local Government Finance Bill (2010 – 2012), currently progressing through the Lords, includes proposals for Localised Support for Council Tax (LSCT) to replace Council Tax Benefit. LSCT will operate as a discount under existing Council Tax regulations and local Councils are required to design their own schemes.
- 1.3. The Government's stated aims in making these changes is to:
 - Help reduce the current deficit by realising a 10% reduction in overall expenditure, following the announcements in the Spending Review 2010, equating to around £500m nationally.
 - Reform the welfare system to make it fairer, more affordable and better able to tackle poverty, worklessness and welfare dependency.
 - Support the principles of increasing freedom and sharing responsibility by localising power and funding.
- 1.4. Whilst the draft regulations have not been issued, some documents have been published by the Department of Communities and Local Government. Full details of the proposals can be found on the DCLG's web site:
<http://www.communities.gov.uk/publications/localgovernment/localisingtaxresponse>
- 1.5. Other key messages are:
 - Government grant funding for LSCT will be cut by 10% and will become a fixed, as opposed to demand-led, budget.
 - ¹Pensioners will be protected through a prescribed national scheme that must form part of any LSCT Scheme.
 - Local Councils will have due regard to their statutory responsibilities in the design of any local scheme e.g. Child Poverty Act 2010, Disabled Persons Act 1986, Housing Act 1996, S149 of the Equality Act 2010 etc.

Members have had a series of reports and briefings to date on the proposals. A separate more detailed briefing note on Council Tax Benefit and Localised Support for Council Tax is attached as **Appendix 1**.

¹ Pensioners are those people who have reached the age to enable them to attain state pension credit.

2. COUNCIL TAX BENEFIT

- 2.1. The Council pays out c. £5.4m in Council Tax Benefit and the vast majority is currently reimbursed through claiming Government subsidy. Copeland Borough Council's Council Tax Benefit Claimant caseload was 7,250 at 27th May 2012 with Council Tax Benefit recipients totalling 6,910. The breakdown is shown below:



- 2.2. Working Age passported are those in receipt of Income Support, Job Seekers' Allowance (Income Based) and Employment Support Allowance (Income Related) who are entitled to maximum Council Tax Benefit. Passported elderly claimants are those in receipt of Pension Guarantee Credit who are also entitled to maximum Council Tax Benefit. (For a definition of passported and non-passported claimants see Appendix 1)
- 2.3. 46% of those in receipt of Council Tax Benefit are elderly and will therefore be protected under the nationally prescribed part of the scheme. The remaining 54% will be directly affected by the design of LSCT.

3. KEY ISSUES

- 3.1. **Designing a Scheme** - Under this new scheme the cost of helping those on low incomes to meet their Council Tax liability becomes a local (i.e. Copeland Borough Council) decision and falls on the Council Tax precepting authorities (County Council, District Council, Police Authority and Parish Councils).

Funding the Scheme - Government financial support to pay LSCT has been switched from an annually managed expenditure (AME) grant (i.e. currently we recover the full cost of all benefits granted) to a departmental expenditure limited (DEL) grant, resulting in a **fixed budget**. As well as being fixed, the grant will also incorporate a

10% reduction in existing expenditure, despite Council Tax Benefit being one of the most under-claimed national benefits and the caseload slowly rising.

As yet the **actual grant and cut in funding is not known** – the consultation paper on funding states that the grant will be set at 90% of what is estimated the Council's Council Tax benefit expenditure in 2013/14 would have been. This will be based on the DCLG's estimate of national Council Tax Benefit expenditure in that year. The Government are also currently consulting on whether there should be minimum and maximum levels set to protect those authorities who may lose more than a specified level of funding.

Given the cut in funding, it will be a challenge to design a scheme with no cost to the Council (i.e. a scheme that passes on the 10% cut to existing CTB claimants), particularly bearing in mind the protection of pensioners and other vulnerable groups.

The government has indicated that councils may want to use the new Council Tax **discount flexibilities** being introduced as part of the Local Government Finance Bill (principally reducing the discounts on empty properties and second homes) to raise extra income to fund the cost.

If the Council decides to bear some or all of the cost of the DCLG's funding reductions, they will be funding an additional new burden at a time when budgets are coming under increasing pressure.

- 3.2. **Timescale** - The timescale for implementation is, widely acknowledged as very challenging. Software suppliers of existing Revenues and Benefits proprietary systems face a severe challenge to design, test and release a new system that will, initially, be a hybrid of the current systems to allow the flexibility required by the different Local Authorities yet avoid duplication of work with existing Housing Benefit claimants. The system must be capable of producing Council Tax Bills, inclusive of LSCT discount, during March 2013.
- 3.3. **Impact on current CTB claimants** - The recent DCLG guidance has not clarified what obligations there will be to design work incentives into a LSCT scheme. However, it is assumed the current Council Tax Benefit scheme includes adequate work incentives e.g. lone parent and extended payment 'run-ons' to allow claimants returning to work to continue to claim Benefit for a period of up to 4 weeks.
- 3.4. The Council is required to have **due regard to its regard to their statutory responsibilities** in the design of any local scheme e.g. the Child Poverty Act 2010, the Disabled Persons (Services, Consultation and Representation) Act 1986, the Chronically Sick and Disabled Persons Act 1970, the Housing Act 1996, S149 of the Equality Act 2010 etc. Again, it is thought the current scheme includes adequate protection for vulnerable persons e.g. a range of premiums and disregards as part of the assessment process, statutory disregard for war widows/widowers in receipt of war pensions, local war widows/widowers funding supplement etc. The current scheme has also been through DWP Equality Impact Assessments.

If Councils seek to design a LSCT scheme that passes on the existing cost (reduction in funding) to claimants, this is likely to:

- Cause hardship given the range of other welfare benefit reforms being introduced from April 2013 e.g. the benefits cap, the under-occupancy restrictions for social housing tenants etc.
- Cause significant difficulties and resources in trying to collect the new liability meaning the cost comes back to the precepting authorities anyway. The experiences of collecting the minimum 20% Personal Community Charge liability experiences bear this out.

However, not passing on the cost to existing claimants will mean that the Council will need to find savings from other areas of its services to meet the cost.

3.5. **Counter-fraud work** – this is likely to be problematic as DWP create their Single Fraud Investigation Service (SFIS) that will not cover LSCT or discount fraud. Local Councils will be responsible solely for ensuring counter fraud responsibilities are met, and meeting the cost.

3.6. **Impact on Parish Councils** - LSCT was clearly drawn up with unitary councils in mind. As LSCT operates through Council Tax discount legislation, it reduces the tax base: expressed as a number of 'Band D' properties. Billing Authorities and major precepting authorities (County and Police) are compensated through direct grant payment (albeit at 90% of current cost). There is currently no feasible method for the DCLG to pay the 10,000 national parish and town councils in the same manner.

LSCT will reduce the tax base in some parishes (depending on where claimants reside). This will increase the Council Tax element attributable to the parish precept. This is because the parish Council Tax is the parish precept (the total amount the parish raises each year from its Council Tax payers) divided by its tax base.

Local councils are subject to the same requirement as other local authorities if they wish to set an 'excessive' increase in Council Tax, i.e. this would trigger a referendum. 2012-13 was the first year of this new requirement and local councils were exempted for that year. Each year the Secretary of State will decide whether to continue this exemption (it may just be continued for smaller local councils).

The DCLG consultation paper on funding suggests (not particularly helpfully) that it, 'expects billing and local precepting authorities to work together to manage the impact on local precepting councils.' Given the number of parishes in Copeland Borough and the fact that a large part of the district is not within a parish, there is a real danger of creating a system of great complexity for relatively small amounts of money. Further information is awaited from DCLG.

The Cumbria Association of Local Councils (CALC) will be a key consultee on this issue.

4. TIMETABLE FOR INTRODUCING LSCT

4.1. The headline timetable for introducing LSCT is as follows:

EVENT:	DATE:	SCHEME:
Executive Agrees Outline Proposals	10th July 2012	Draft LSCT Scheme
Initial Consultation with County Council, Police Authority & Parishes	Mid July 2012 to Mid August 2012	
Executive considers initial consultation response and makes recommendations to Council	21 st August 2012	
Council Agrees Draft LSCT	6 th September 2012	
Period of Formal Consultation with Claimants, Preceptors, Interest Groups, Landlords & Interested Stakeholders	September 2012 / October 2012	
Overview & Scrutiny or Policy Advisory Group Consideration	8 th October 2012	
Executive Agrees Scheme	13 th November 2012	Final Scheme Proposals
Full Council Agrees Scheme	6 th December 2012 *	
Tax Base Set	31 st January 2013 (at latest)	
Local Scheme Software Operational	15 th February 2013	
Copeland LSCT Effective Date	1 st April 2013	'Go Live'

*Must be before 31st January 2013

4.2 There will be considerable work in each of the above steps and each will be a mini-project in its own right. In order to finalise a local scheme – Even if a decision is taken to largely mirror the existing Council Tax Benefit Scheme, the following tasks will be required:

- Writing a full S13A discount policy to cover LSCT & Technical Reforms to Council Tax that is robust enough to withstand appeals and legal challenges.
- Consultation – ensuring legal requirements are covered in terms of consulting with all persons who might have a reasonable expectation to be consulted. Providing sufficient methods of consultation to satisfy accessibility issues e.g. on-line, direct post, public information roadshows etc.
- The DCLG's Statement of Intent notes that the Bill requires that consultation takes place with the major preceptors (Police and County) before the Billing Authority decides on its draft scheme. Therefore, Cumbria Police Authority and Cumbria County Council will have to be consulted on this report.
- Software Implementation – design, delivery, testing, training and suitability for producing appropriately discounted Council Tax bills in February 2013.

- Data protection / Information Sharing – regulations and procedures need to be in place to deal with a ‘means-tested’ Benefit turning into a Council Tax Discount.
 - Implementation – staff training, administration forms, procedures, partner agreements, data-sharing, counter fraud measures, anti-poverty measures etc.
 - Publicity, guidance, advice and general communication with a range of stakeholders.
- 4.3 The project may require additional resources to complete detailed and bulk work but efficiencies will be gained through project managing three individual but similar Schemes (Allerdale, Copeland & Carlisle) using shared service resources.

5. THE LSCT SCHEME OPTIONS

5.1. The options at this stage are:-

- **(Option One)** seeks to **Replicate Existing Scheme** - replicate the existing reductions in Council Tax liability through means of a discount and the precepting authorities (including the Council) funds the additional cost from other funding streams; or
- **(Option Two) - Design a new scheme which** passes a proportion of the cost (approximately 10 to 12.5%) of the reduced grant directly onto claimants;

Longer term, the intention is that LSCT will turn into a simple Council Tax discount, based on percentages reflecting categories or bands of circumstances, and dropping the means-testing element from the working age scheme. This is unlikely in the next two years so the above options are explored more fully, as follows:

5.2. Option One – Replicate Existing Scheme

5.2.1. The Design of the Scheme

The Scheme would seek to replicate the existing levels of Council Tax Benefit through a Council Tax Discount and also incorporate the nationally prescribed part (for those of pension age) and the Council’s statutory responsibilities to those that could be classed as vulnerable.

5.2.2. Advantages

- To design a local scheme from a blank sheet of paper is a mammoth task and councils (especially districts) do not have the capacity to complete this within the tight timetable. If the scheme is not soundly drafted, it could be challenged during the consultation process and/or, when operational, challenged through the appeals process. This greatly increases the potential risk to the Council yet the timescale is very tight.

- As option one replicates the existing Council Tax reductions, the transition from Council Tax Benefit to Localised Support for Council Tax will be minimised for staff and claimants.
- The Council's local scheme has to include the prescribed national scheme for persons of pension age: to afford protection to pension age claimants. The existing caseload split between pension age and working age, combined with the protection offered to pension age claimants, would otherwise impacted on an increase to the working age of much more than the 10% stated as they alone would feel the impact (see table below).

Percentage of Current Expenditure	Total Expenditure	Working Age (WA) Expenditure	Elderly (E) Expenditure	Average Increase in Council Tax Liability	
				WA	E
100%	£5,495,626.24	£3,008,207.80	£2,487,418.44		
90%	£4,946,063.62	£2,458,645.18	£2,487,418.44	18.27%	0%

The average annual amount of Benefit, for a working age claimant, would drop from £794.56 to £649.39 if the 10% reduction in funding was passed on to the claimants.

If the cut in funding were to be higher and nearer to 12.5% then the impact on Working Age claimants would be 24.39%.

These figures compare to a national average impact on working age claimants, of 16%. However, the figures are higher for Copeland as the proportion of elderly Benefit claimants is higher than the national average.

- The existing scheme is a relatively safe risk as extensive equality impact assessments have been undertaken and significant legal challenge under British and European law.
- The practical impact of collecting Council Tax liability from claimants on the lowest incomes (Benefits alone), based on experience of collecting the minimum 20% Community Charge (the Poll Tax), would affect collection rates, potential write offs and lead to increased costs of collection. Those costs would fall back on the precepting authorities: district councils in the short term.

The difficulty of collecting increased Council Tax liability is recognised by the DCLG in their Impact Assessment. Paragraph 33(c) says, '*authorities may want to design a scheme that minimises the amount of Council Tax they are required to collect from low income claimants since they may judge them to be a collection rate risk.*'

5.2.3. Financial Impact

- The precepting authorities pick up the cost of the 10% cut in grant so that reductions in Council Tax liability can be maintained at existing levels. The actual grant is not yet known as the Government is currently consulting on grant allocation mechanisms. They have issued some indicative figures as part of the consultations process and, for **illustrative purposes**; these figures have been used to assess the potential impact as set out below:

Authority *	Band D £	% Share of Council Tax	Share of CTB Grant £	Indicative Grant £	Difference Reduction £
Cumbria County	£1,161.50	75.30%	4,066,200	3,654,040	412,160
Cumbria Police	£200.79	13.02%	703,080	631,815	71,265
Copeland Borough	£180.27	11.68%	630,720	566,784	63,936
Total	£1,542.56	100.0%	5,400,000	4,852,639	547,361

* For simplicity, parish and town councils are ignored in the worked examples above as the arrangements for these have yet to be clarified.

On top of the above estimated loss of grant, the Council will have to meet the costs arising from :

- Increase in claimant numbers if the recession deepens
- Increase in take up of the scheme
- Increase in Council Tax rates will increase cost of discount
- Reduction in collection rates
- Increased administration , fraud and collection costs

In total therefore it is estimated that the cost to the Council could be in the region of £140,000.

5.3. **Option Two – Design a New Scheme**

5.3.1. The Design of the Scheme

The scheme options can be simple or extensive: depending on the strategy to be adopted. In simple terms, the annual amount to be saved would have to be converted to a percentage affecting working age claimants only e.g. 18.2% on application of the existing calculation means no working age claimant would be eligible to receive more than 81.8% of the entitlement calculated.

Alternatively, the Council could target particular conditions (disregards, premiums, limits, allowances etc) within the existing scheme e.g.

- Restrict benefit liability, used within the calculation, to a maximum of Council Tax Band D (currently Band E). However, 93% of the properties within Copeland

Borough are Band D or below so the impact would be minimal, would probably fall on the largest yet poorest families and could be against local anti-poverty and child poverty policies.

- Reduce or remove some of the income disregards e.g. child benefit, child maintenance, second persons discount, etc. This could be in contrast with local anti-poverty or child poverty policies and could be challenged.
- Reduce minimum (currently £6,000) or maximum (currently £16,000) Capital Limits. Minimum limits set the amount of capital that can be ignored before the means testing takes it into account. The maximum limit is the amount over which the claimant would not be eligible to claim. The current minimum limits provide an emergency fund for claimants and removal of that could cause hardship at a time when the current discretionary elements of the Social Fund are being transferred from DWP to Local Councils (Upper tier in two council districts) and being changed to new Localised Support (replacing Community Care Grants and Crisis Loans).
- Introduce local sanctions such as removing discount if claimant turns down offer of work

Many of these changes are likely to be subject to legal challenge so the Council's justification would have to be robust and capable of withstanding legal challenge by claimants, their support groups or the legal profession.

In grouping all the different circumstances and conditions, the Council could use 'what if' scenarios to forecast the financial impact of any potential change but would then have to conduct detailed Impact Equality Assessments to underpin the decisions made and reduce the risk for challenge.

5.3.2. Advantages

- The Precepting authorities will not have to pick up all the cost of the reduction in Government funding. This is particularly important for the largest precepting authority (Cumbria County Council) which picks up the largest share.
- The claimants will feel the immediate impact of and link the increases in Council Tax payable with the introduction of the new LSCT Scheme as opposed to a change of strategy, in future years, if absorbing the grant reduction becomes infeasible.

5.3.3. Financial Impact

- Dependant on how the Council decides to apply the reduction in funding and entitlement. This will require considerable modelling work. Counter-fraud work is likely to be problematic as DWP create their Single Fraud Investigation Service (SFIS) that will not cover LSCT or discount fraud. Local Councils will be

responsible solely for ensuring counter fraud responsibilities are met and this could be complex on a new scheme.

6. FUNDING IMPLICATIONS

6.1. As previously stated, the cost to the Council of implementing the default scheme could be in the region of £140,000 pa. However it may be possible to raise additional Council Tax income through other means.

- Single Person Discount (SPD) (see Section 7)
- New Council Tax Technical Reforms (see Section 8)

6.2. There will be substantial one-off costs of implementation e.g. new software to administer the local scheme. The Government pledged to fund any new financial burdens for local authorities created by Government requirements. Therefore, a one-off grant of £84,000 has been paid to all Billing Authorities for LSCT. This has been earmarked for developing and implementing the new scheme. An initial amount of £20,000 has been put aside for funding project management and modelling software. It is likely that a large part of the remaining £64,000 will be required to fund Copeland's share of the cost of its Revenues and Benefits software supplier designing and providing the new software.

6.3. As LSCT reduces Council Tax liability by way of a discount, rather than benefit, this may remove some of the stigma of claiming it: thus increasing demand. Whilst this is good from an economic point of view, it pushes up the costs to the precepting councils. However, in the short term, discounts will continue to be means tested.

6.4. The Council receives a direct grant from the DWP for administering Housing Benefit (HB) and Council Tax Benefit (CTB) that is separate to any subsidy reclaimed. With the abolition of CTB, this grant will reduce from April 2013 and it is not yet clear how much the grant will reduce by. It is also affected (reduced) by the development of the Single Fraud Investigation Service (SFIS) and it unlikely the DCLG will pay an equivalent grant for LSCT.

However, it is likely that the work in administering LSCT may be just as great as administering CTB. Indeed, there is an argument for saying it will be greater because administration efficiencies are achieved by dealing with CTB and Housing Benefits in the same system.

7. SINGLE PERSON DISCOUNTS

7.1. Despite growing pressure from Councils during the LSCT consultation, the Government stated it had no plans to include Single Person Discount (SPD) within the Council Tax Technical Reforms. However, it would be prudent for local councils to ensure SPD is being properly claimed. Single adults can claim a non-means-tested 25% discount on Council Tax and the number of single adult households, within Copeland and Borough, is relatively high. The Cumbrian districts are seeking to set up

a jointly-funded exercise with the County Council to review existing discounts to ensure they are all still valid. It is difficult to predict what extra income such an exercise will bring through cancelled SPDs, but previous experience has shown that such exercises are worth doing.

7.2. The single person discount data, as @ 21st June 2012, is as follows:

Category	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals
Single	7,940	1,330	954	542	243	57	10	1	11,077
Single & Disregarded	1	0	0	1	0	0	0	0	2
Single & Disabled	19	5	10	2	4	0	0	0	40
Single, Disregarded & Disabled	0	0	0	1	0	0	0	0	1
Totals:	7,960	1,335	964	546	247	57	10	1	11,120

The property base is 32,884 so the percentage of Single Person Discount households is 34%.

7.3. The current Single Person Discount award amounts to £3,181,219. Any reduction in Single Person Discount will reduce existing discount provision and increase the tax base. This will benefit all precepting authorities with the preceptors benefitting in proportion to their financial levy.

8. TECHNICAL REFORMS TO COUNCIL TAX

8.1. The government produced a consultation paper on Council Tax Technical reforms on 31st October 2011 and published the results of that consultation on 28th May 2012. In parts, the consultation response was clear about the changes it wants to make with effect from 1st April 2013. Other areas of potential change carried less clarity, posed further questions and are unlikely to be implemented on 1st April 2013 as originally intended. A separate briefing note on the reforms is enclosed at **Appendix 2**.

8.2. The Local Government Finance Bill contains a number of 'technical' changes which give councils greater freedom to vary existing discounts and exemptions. If Members support the principle a further report to consider proposals for using these freedoms to generate additional Council Tax will be prepared. This would be a suitable means of helping to offset the cost of a local scheme as the additional income, would be shared between the precepting authorities (including parish councils) in the same proportions they are funding the local scheme.

8.3. In terms of public perception, there are advantages to making any Council Tax technical reform changes, from April 2013, to align with the reduction in Government funding.

8.4. The Billing Authority will be empowered to make the following decisions without the need for further consultation:

- Abolition of 'Class A' exemptions - currently applied to vacant, unoccupied and unfurnished properties that require or are undergoing major repair works or structural alterations to render them habitable. Applies up to a maximum period of 12 months
- Abolition of 'Class C' exemptions – currently applied to unoccupied and unfurnished property either following occupation or following the service of a completion notice on a new build.
- Supplement to S11a of The Local Government Finance Act 1992 (as amended) through Clause 10 of the Local Government Finance Bill 2010-12 as follows:
 - Second Homes – Can reduce the discount further, from the minimum of 10%, to zero: creating up to 100% charge.
 - Long Term Empty Properties – Can levy a premium, of up to 50%, for dwellings that have been empty and unfurnished for up to 2 years: creating up to 150% charge.

8.5. Indicative numbers and values for Copeland Borough Council, based on data extracted from the live database on 13th June 2012, representing the period 1st April 2011 to 30th April 2012, are as follows:

Category:	Reductions granted for the year	No. of Accounts
Class A Exemptions	£98,976.03	214
Class C Exemptions	£477,614.17	2,690
Second Homes	£105,040.29	1,542
Long Term Empties	N /A	N /A
Totals	£681,630.49	4,446

Figures on long term empties are not currently available as the authority does not treat them differently to other empty properties receiving a 50% discount and regulations do not require separate reporting. Investigations will be undertaken to identify the current and trend figures for the more detailed, separate report into the decisions regarding the implementation of the Council Tax technical reforms.

9. RISK ASSESSMENT

9.1. The Key risks are:

- The challenging timetable and lack of significant additional resource leading to a poorly designed and implemented local scheme. This strengthens the case for proposing to adopt the existing scheme;
- Risk of the software not being available in time or not being able to deliver the LSCT

design. Further strengthens the case for proposing to adopt the existing scheme and the Partnership's Services Performance Manager sits on the Capita LSCT Design Group.

- Risk of the consultation not including all parties 'who have a reasonable expectation' to be consulted or not consulting on the appropriate issues.
- Risk of judicial review due to equalities impact or insufficient consideration of statutory duties regarding claimants classed as vulnerable. Detailed Impact Assessments will be required and also strengthens the case for proposing to adopt the existing scheme;
- It is difficult to accurately predict the net cost of the differing options as trend analysis is affected by the on-going timetable of welfare reforms; and
- If the deficit reduction position worsens, the next Government Comprehensive Spending Review (CSR) may well reduce the LSCT grant from 2015-16 onwards.
- Financial monitoring procedures will need to be strengthened to ensure movements' in caseload and the resulting impact on the overall Council's finances are picked up at an early stage. There will be considerable financial risk attached to the localisation of Council Tax Benefit and the impact on the Councils Medium Term Financial Strategy and reserves levels will need to be assessed.

10. CONCLUSION

- 10.1. The information and figures set out in this report are based on current Council Tax Benefit expenditure, indicative funding proposals (subject to consultation) and discount trends over the financial year 2011/12.
- 10.2. For the reasons set out in this report, the recommendation is for Copeland Borough Council to adopt the default scheme for 2013/14, at a cost of c £140k.
- 10.3. The LSCT will have a high political profile and is likely to be controversial: probably subject to legal challenge. Full Council Approval will be required, to adopt the Local Scheme, before the deadline of 31st January 2013 otherwise the Government will impose a 'default scheme' which, whilst similar to the existing scheme, may include other financial disincentives and create reputational risk through inability or unwillingness to deliver a local scheme.

11. OPTIONS TO BE CONSIDERED

Executive can decide to accept the Default scheme (Option one) as recommended, or design a new scheme (Option Two).

12. STATUTORY OFFICER COMMENTS:

The Monitoring Officer's comments are: The Local Government Finance Bill which sets out the statutory duties on billing authorities to establish LSCT schemes, is currently before Parliament. The second reading of the Bill in the House of Lords was completed on 12 June and the committee stage (line-by-line examination of the Bill) is not yet scheduled. It is therefore possible that there will be further detailed changes to the Bill before completion of the Parliamentary process, but it is not possible to anticipate what these may be.

The Section 151 Officer's comments are: included in the report.

EIA Comments: Equality will be an important factor in any scheme design and this will be addressed once the favoured approach has been determined.

Other consultee comments, if any: A full consultation will be carried out on the proposed scheme.

13. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

Project and risk management will be carried out and will be on-going throughout the project.

14. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

This report provides information about measurable outcomes from the Council's work in delivering a new scheme for Localised Support for Council Tax

15. APPENDICES AND BACKGROUND DOCUMENTS:

Appendix 1:

An outline of Council Tax Benefit (CTB) and Localised Support for Council tax (LSCT)

Appendix 2:

The Governments response to the Technical Reform to Council Tax

Background documents:

- Localising Support for Council Tax - A Statement of Intent. *Summarises what the regulations will contain.*
- Localising Support for Council Tax - Funding Arrangements Consultation (closing date 12th July 2012). *Sets out the proposed arrangements for funding.*
- Localising Support for Council Tax - Taking Work Incentives into Account. *Sets out issues that local schemes may want to take into account.*
- Localising Support for Council Tax Vulnerable People – key local authority duties. *Gives guidance on how vulnerable groups might be defined in local schemes*

APPENDIX 1

An outline of Council Tax Benefit and Localised Support for Council Tax

Council Tax Benefit (CTB)

Council Tax Benefit (CTB) was introduced with effect from 1st April 1993 and is one of two benefits currently administered by Billing Authorities (district councils in two tier areas). The other is Housing Benefit.

Council Tax Benefit (CTB) is an income-related benefit, introduced in April 2003 and administered by Local Authorities (district councils in two tier areas), to help people on low incomes pay their council tax.

Generally, it mirrors the Housing Benefit scheme in the calculation of claimants' applicable amount, resources and deductions in respect of any non-dependants.

There are two types of Council Tax Benefit:

- Main Council Tax Benefit; and
- Second Adult Rebate.

Main Council Tax Benefit can help people who are liable to pay the council tax whether in or out of work. It is paid by crediting a person's council tax bill.

Those in receipt of passported Department for Work and Pensions (DWP) ²benefit can get up to 100% help: subject to any non-dependant deductions that may be appropriate. People not in receipt of passported DWP benefit have their benefit assessed in a similar way to Housing Benefit, but the maximum Council Tax Benefit is reduced by 20% of any net income above their applicable amount. People who are liable for the council tax but who have capital in excess of £16,000 are not entitled to Council Tax Benefit.

Help is also available to people who are solely liable for the tax and who have a second adult in their households who would normally be expected to contribute to the council tax bill but cannot afford to do so. These are called Second Adult Rebates and they are assessed on the basis of the financial circumstances of the second adult, not of those of the liable taxpayer. Rebates of up to 25% may be awarded.

Where a person is entitled to both main Council Tax Benefit and second adult rebate, the Local Authority is required to make a "better buy" calculation and award the liable person whichever amount of benefit is the greater.

Full time students are not generally liable for council tax because most live in accommodation that is exempt. Where liability does arise, Council Tax Benefit is not payable on the same grounds as for Housing Benefit (except to the same prescribed vulnerable groups). If a person lives in a property valued in bands F, G or H the Council Tax

² Passported DWP working age benefits are Income Support, job Seekers' Allowance (Income Based) and Employment Support Allowance (Income Related).

Benefit may be restricted to that for a band E property.

CTB is means-tested benefit. Those in receipt of CTB get their Council Tax liability reduced in full, or in part. No cash payments are made by the Council. Council Tax income is foregone by the Billing Authority which is then reimbursed in full (with some minor exceptions) as benefit subsidy from the Government. Neither the County Council nor the Police Authority finances are impacted by CTB.

The existing Council Tax Benefit Scheme includes a set of premiums and disregards designed to help protect the most vulnerable claimants.

A plain English guide to CTB is available on the Citizens' Advice Bureau web site:

http://www.adviceguide.org.uk/england/benefits_e/benefits_help_if_on_a_low_income_e/w/help_with_your_council_tax_council_tax_benefit.htm

Localised Support for Council Tax (LSCT)

Localised Support for Council Tax (LSCT) will mean, from April 2013, claimants getting a Council Tax discount rather than Council Tax Benefit. For the claimant this may well amount to the same thing: dependent on the Billing Authorities decisions in designing their local scheme. However, LSCT has some very significant differences from CTB. The main ones are:

- Due to the reduction in the liability being achieved through the Council Tax system (by way of a discount) rather than a benefit, the cost of the discount is a cost to those councils funded by the Council Tax i.e. the County Council, the Police Authority, the District Council and local Parish Councils. The County Council and the Police Authority will be key bodies to consult on the draft local LSCT scheme. The impact on parish is considered within the main body of this report;
- Council Tax discounts are set by the Billing Authority (the Billing Authority is the council that sends out the Council Tax bill: in a two tier area like Cumbria, this is the District Council i.e. Copeland Borough Council). This means, as Billing Authority, Copeland sets LSCT scheme that covers the district. Whilst the County Council and Police Authority will be financially affected by the scheme that Copeland adopts and will be statutory consultees, the decision on the scheme is Copeland's alone;
- Affected councils will each receive a direct cash grant. However, this will only be for about 90% of the previous Council Tax benefit income;
- CTB is a national scheme with no local discretion. LSCT will be a locally determined scheme for each local authority except the Government will require that all existing pensioner claimants are fully protected;
- In designing a scheme councils are expected to have due regard to their statutory duties with regard to vulnerable groups.

The Government's Response to the Technical Reform to Council Tax

Second Homes

- The government will allow billing authorities to levy up to the full council tax on second homes for 2013/14. Currently the rules mean that the majority of second homes will receive a 10% discount (with some exceptions e.g. a pitch occupied by a caravan, a mooring occupied by a boat or a dwelling which is unoccupied due to job-related occupation). There will be no duty to inform the billing authority if a property is used as a second home and, therefore, if the authority requires this information they may need to introduce a process for information gathering and classification status.
- Authorities could offer a discount equivalent to the single person discount (i.e. 25%) to avoid a significant amount of work on deciding sole or main residence claims when second home avoidance tactics appear as a result of reducing the discount to zero. However, this would have the effect of reducing the tax base / revenue to the precepting authorities whereas a zero discount would increase it.

Empty Dwellings under going major repair

- The current exemption for properties in this category would be 'Class A' exemption which is an unoccupied dwelling which requires or is undergoing structural alteration or major repair, for up to 12 months. After 12 months, the exemption class ceases and a full charge is applicable.
- The technical response summary states that this does not fit in with the current broader pursuit of localism and will be replacing this exemption with a discount which Billing authorities have the discretion to set at 100 % or any % lower which seems reasonable: having regard for local circumstances.
- An enabling measure has been included as Clause 9 of the Bill which will amend section 11A of the Local Government Finance Act 1992. This will then allow a class of dwelling that the Authority can determine a discount for of between 0 % and 100 %.
- It is important to note there is no change to the period for which this discount will be awarded so it will remain at one year or as long as it continues to be undergoing major repair (whichever is less). After this time the discount will be set by the authority at a discretionary amount between 0 % and 50 %

Vacant dwellings

- Currently, dwellings which are empty and unfurnished for up to 6 months are exempt from Council tax after which time a full charge may be made. This is called a 'Class C' exemption
- The consultation paper states that it is the government intention to replace this exemption with a discount and that the billing authority will have the discretion to set it at between 0 and 100 %.for any dwellings that fall into the old definition of 'Class C'.

Liabilities of Mortgagees in possession

- Currently the bank or building society does not become liable for council tax on taking possession and the owner becomes exempt under class L
- The Government intention is that the mortgagee will be made responsible but the final details of this proposal are not yet available as there are a number of very complex issues surrounding the ability to make this a workable solution. Further consideration / development of this proposal is required.

Empty Homes Premium

- There is a government policy to ensure that empty homes are placed back into use and the statement of intent supports the idea that a billing authority should have the option to levy an empty premium onto properties left vacant.
- It is considered that two years is the right vacancy period before this premium is added. The suggested value of the premium will be an additional amount of up to 50% so liability could go up to 150 % of the council tax if the dwelling remained unoccupied.

Relevant person

- It has been agreed that the drafting error loophole on the definition of 'relevant person' will be closed by Clause 6 in the Local Government Finance Bill.

Payment by Instalment

- The Government wanted to give 12 instalments as the default instalment scheme and retain 10, or another instalment pattern, through agreement. This was greatly opposed by the Local authorities with 171 out of 195 saying 'no' to this proposal. In the face of this opposition the government has decided to leave the default at 10 but will take forward its proposal to grant council tax payers the legal right to pay by 12 monthly instalments and ensure they are duly informed of this.

Information to be supplied by the demand notice

- Clause 12 of the Local government finance bill will allow Billings authorities to publish the information (supplied with the demand notice) on-line. There will still be an option for a claimant to request a paper copy: if preferred.

Rent a roof solar panels

- This is now clarified so that, in general, solar panels will be considered part of the property and not subject to non-domestic rates. The exception is if they produce more than 10 kilowatts of energy.

Annexes to dwellings

- No clear decision has been made on this area of Council Tax. The Government has decided to undertake a review of how this change might be implemented but that review has yet to commence. However, Eric Pickles has commented recently that it was "fundamentally unfair" for households to be charged twice by paying council tax on their homes as well as the annexes.