

Copeland Borough Council - Local Support for Council Tax Scheme

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

WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

To enable a Local Scheme for Council Tax Benefit as required by the Local Government Finance Bill to be introduced by 1st April 2013 to replace the existing Council Tax Benefit Scheme.

SUMMARY:

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.

RECOMMENDATION:

1. It is recommended that Council approve the proposed Local Support for Council Tax (LSCT) scheme as set out in para 3.2 in the report for the purposes of consultation.

1. INTRODUCTION

- 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>

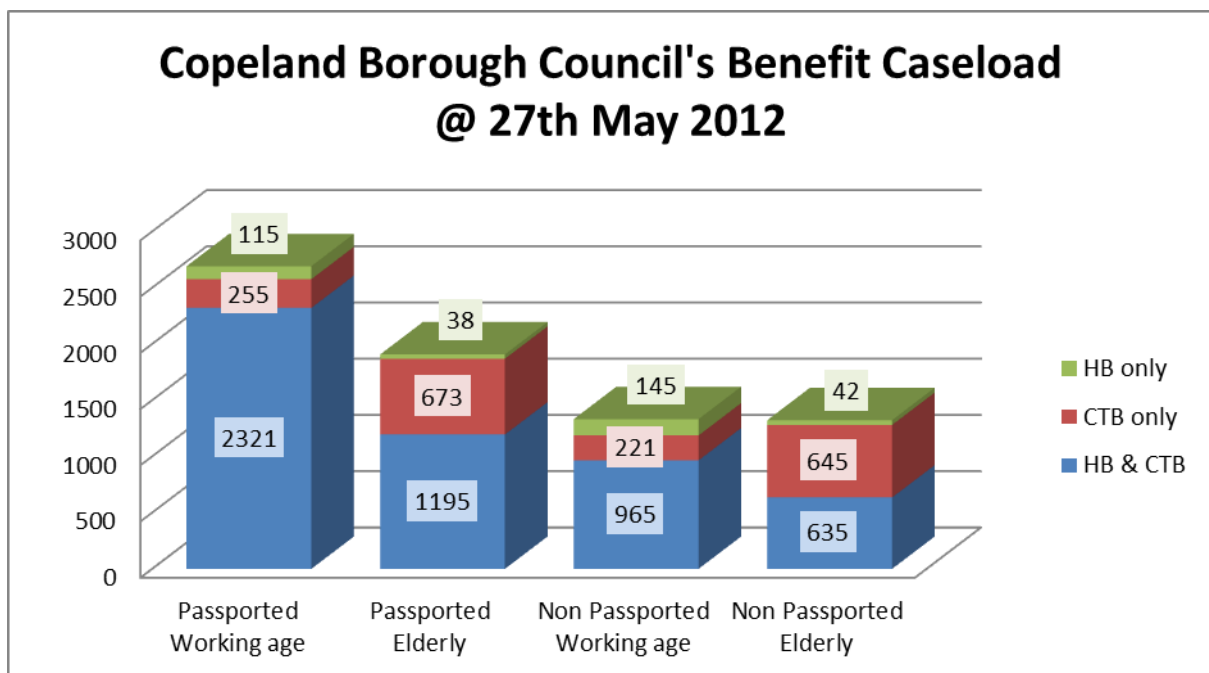
1.5. Other key messages are:

- 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. For information, a separate more detailed briefing note on Council Tax Benefit and Localised Support for Council Tax is attached as **Appendix 1**.

2. CURRENT 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

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

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 IN DESIGNING A LOCALISED SCHEME

- 3.1. The Executive considered a full report into the key issues at their meeting on 10th July 2012, and the issues considered are attached at **Appendix 2** for information.
- 3.2. Following consideration of the issues the Executive recommended that they would adopt a local scheme for 2013/14 identical to the Department for Communities and Local Government's default scheme. In effect this means:
 - (i) That the existing benefit scheme is replicated as far as claimants are concerned albeit there are significant technical and accounting changes arising from the change of the award from a 'benefit' to a 'discount'.
 - (ii) That as a result of adopting the above scheme, the estimated 10% cut in government funding will be borne by the precepting authorities (see paragraph 3.3) and not by the claimants. For Copeland Borough Council its proportion amounts to c. £140k pa.
- 3.3. One of the principle changes arising from changing the scheme from a benefit to a discount, is that the cost of the localised scheme will now be accounted for through the Collection Fund and so the impact will fall on all Council Tax precepting authorities rather than just Copeland Borough Council. This means that Copeland Borough Council, Cumbria County Council, Cumbria Police Authority and the Parish Councils are all affected in proportion to their precepts (albeit at the time of writing the impact on Parish Councils has still not been determined by the Government and is subject to further discussion).
- 3.4. The above proposals were consulted on with Cumbria County Council and the Police Authority. Their initial responses have been largely supportive of the way forward albeit there is predictable concern over the funding implications on their individual authorities and the County Council specifically (see **Appendix 3**) have requested the Council to consider the Council Tax Technical reforms available (see paragraph 5.1 and **Appendix 4**). The Parish Councils have not been consulted with as yet as the position with regards to Parishes is, as previously stated, still undecided.

4. TIMETABLE FOR INTRODUCING LSCT

- 4.1. There is a considerable amount of work involved in implementing a new Scheme for Council Tax, even (as recommended) one which mirrors 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. It is important that sufficient methods of consultation are provided to satisfy accessibility issues e.g. on-line, direct post, public information roadshows etc. It is proposed that all current benefit claimants will be contacted individually by post and in addition the survey will be available on the Council’s website and in public buildings. The consultation period will run for a six week period which will be a sufficient period given that the proposal is that the scheme will not fundamentally change for 2013/14 as far as claimants are concerned.
- 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.

4.2. The headline timetable for introducing LSCT is as set out below:

EVENT:	DATE:	SCHEME:
Executive Agrees Outline Proposals	Agreed 10th July 2012	Draft LSCT Scheme
Initial Consultation with County Council, Police Authority & Parishes	Mid July 2012 to Mid-August 2012 - complete	
Executive considers initial consultation response and recommends to Council	Agreed 21 st August 2012	
Council Agrees Draft LSCT	6th September 2012	
Formal Consultation with claimants, preceptors, interest groups, landlords & other interested stakeholders (as set out above)	September / October 2012 (6 weeks)	
Executive Agrees Final Scheme	13 th November 2012	Final Scheme Proposals
Full Council Agrees Final Scheme	6 th December 2012 *	
Tax Base Set	31 st January 2013 (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

5. FUNDING IMPLICATIONS

- 5.1. As previously stated, the cost to Copeland Borough 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, particularly from the Governments proposals to allow limited changes to existing Council Tax Discounts, such as Second Homes Discounts and Empty Property discounts. The government proposals are set out in **Appendix 5** and the issues are currently subject to further investigation and will be reported to members in due course.
- 5.2. 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.
- 5.3. 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.
- 5.4. 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.

6. RISK ASSESSMENT

- 6.1. A full risk log is maintained for the project. 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 Shared Service 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. Details on the

consultation process are set out in this report.

- 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 this 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;
- 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.

7. CONCLUSION

- 7.1. For the reasons set out in this report, the recommendation is for Copeland Borough Council to adopt the scheme for 2013/14 as set out in paragraph 3.2, at a cost of c.£140k, for the purposes of consultation.

8. STATUTORY OFFICER COMMENTS:

The Monitoring Officer's comments are: None, other than to reiterate that there is still uncertainty over the detailed regulatory framework for LSCT as the relevant legislation has not completed its passage through Parliament. This uncertainty compounds the risks outlined in para 6 above.

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

EIA Comments: An initial equality impact assessment has been carried out and considered by the Executive on 21st August. The proposed new localised scheme mirrors the existing benefit scheme and so the impact on existing claimants is negated. However the Council will need to find c.£140,000 of other savings to offset the cost of the scheme, and dependant on the decisions taken this may impact on other service users and will be considered as part of the overall budget process.

Other consultee comments, if any: An initial consultation has been carried out with Cumbria County Council and the Police Authority and their responses have been broadly supportive of the proposed way forward. A full consultation will be carried out with a wider stakeholder group on the proposed scheme once approved by Council on 6th September and will run for a six week period. A 'Frequently Asked Question' factsheet will also be provided for Members on the LSCT scheme and on the

Council Tax Technical Change proposals, and member briefing sessions will be arranged as appropriate.

9. 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. A full risk log is maintained by the Project Manager (Shared Service Performance Manager)

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

A proposal to deliver a new scheme for Localised Support for Council Tax, for the purpose of consultation.

11. APPENDICES AND BACKGROUND DOCUMENTS:

Appendix 1:

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

Appendix 2:

Key Issues in Designing a Local Scheme (as considered by Executive 10th July 12)

Appendix 3:

Consultation response from Cumbria County Council

Appendix 4:

The Governments response to the Technical Reform to Council Tax

Background documents:

- Localising Support for Council Tax – A Statement of Intent on information sharing and powers to tackle fraud (July 2012)
- 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*

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

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

APPENDIX 1

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.

KEY ISSUES IN DESIGNING A LOCAL SCHEME (as considered by Executive 10th July 12):

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. This issue is currently being considered.

If authorities decide to bear some or all of the cost of the DCLG's funding reductions, as is recommended for Copeland Borough Council for 2013/14, they will be funding an additional new burden at a time when budgets are coming under increasing pressure.

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.

APPENDIX 2

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.

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.

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. Councils will be responsible solely for ensuring counter fraud responsibilities are met, and meeting the cost.

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 way for the DCLG to pay the 10,000 national parish and town councils in the same manner.

APPENDIX 2

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. At the time of writing this report, further information is still awaited from DCLG.

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

Project Planning:

There will be considerable work in designing and implementing a scheme. In order to finalise a local scheme – Even if a decision is taken to largely mirror the existing Council Tax Benefit Scheme, as recommended, 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.
- 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.

THE LSCT SCHEME OPTIONS

The options for consideration are:-

- **(Option One)** seek 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 have been explored more fully, as follows:

Option One – Replicate Existing Scheme

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.

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).

APPENDIX 2

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.*'

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:

APPENDIX 2

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 of absorbing the benefit to the Council could be in the region of £140,000.

Option Two – Design a New Scheme

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.

APPENDIX 2

- 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.

Advantages

- The Precepting authorities will not have to pick up 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.

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.

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 undergoing 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.

Cumbria County Council

Chief Executive's Office • The Courts • English Street
Carlisle • Cumbria • CA3 8NA
T: 01228 226301 • E: jill.stannard@cumbria.gov.uk

19 July 2012

Mr Paul Walker
Chief Executive
Copeland Borough Council
The Copeland Centre
Catherine St
Whitehaven
Cumbria
CA28 7SJ

COPELAND BOROUGH COUNCIL
CHIEF EXECUTIVE

20 JUL 2012

PASSED TO:
ACTION/INFO:

Dear Paul

Local Support for Council Tax Scheme

Thank you for the opportunity to comment on Copeland Borough Council's proposed Local Support for Council Tax Scheme that will be replacing the national Council Tax Benefit arrangements from 1 April 2013. It has been really helpful to get an early sight of Copeland Borough Council's proposed scheme and possible mitigations. The report was very informative and allowed an effective and considered discussion of the impact these changes will have for all tiers of Local Government within Cumbria.

A presentation on the impact of the changes from a national Council Tax Benefit Scheme to a Local Council Tax Discount Scheme, administered by the Districts, was received by Cumbria County Council Cabinet on the 2nd July. Members clearly understood the enormity of the changes being presented and welcomed the level of joint working and discussions that have been ongoing between the County Council and the District Councils over the last few months. To achieve a consistent and informed understanding of the wider impacts that this change will bring across Cumbria is essential. Continued joint working will provide the opportunity to treat the people of Cumbria fairly and that Local Government in Cumbria as a whole can be satisfied that an appropriate solution has been developed.

Members recognise the concerns raised in Copeland Borough Council's report with respect to the implications of designing a new local discount scheme. Passing on the cost of the reduced Government support to existing claimants challenges Cumbria CC's key priority of Challenging poverty in all its forms. As pensioner claimants (discount holders) are protected the cost burden is placed on a minority of the existing benefit claimants. This has the potential to create further hardship to those least able to pay additional Council Tax. The concerns about collection rates and increased costs of collection from this option, which will be picked up by the Districts and County Council, are also understood and need to be further analysed before decisions on changes to local schemes can be put forward as a workable scheme.

This however needs to be balanced with the funding gap emerging for the County Council due to these changes which have been estimated for 2013/14 as being between £4.2m and £6.3m before mitigation are considered.

Cumbria County Council

The proposal by Copeland Borough Council to use the technical changes to the existing discount scheme is welcomed. In particular, a consistent approach across Districts to both the changes to second home discounts and empty homes discounts is encouraged. Cumbria CC is keen to fully explore the options available and supports the reduction of the second homes discount to 0%.

Likewise with the options to vary discounts in respect of empty homes the Council is keen to explore the views of District colleagues to utilise these to mitigate the funding gap. This aligns with supporting the economic growth argument for bringing empty homes back into use.

Given the enormous uncertainties within the overall Local Government Resource Review for 2013/14 onwards it would not be possible for Cumbria CC to commit to any agreement in principle with respect to numbers of second homes being fixed for a number of years to come. The current income sharing agreement may also require review later in the year as the legislation and regulations through which we are financed changes and the full impact becomes clear.

A full report will be taken to Cumbria CC Cabinet on the 8th November 2012 and before that to Corporate Management Team on the 4th October 2012. It is hoped that public consultations will have concluded at that stage and agreed schemes approved by Districts prior to that date. This will allow Cumbria CC to understand its overall funding envelope for 2013/14. It is important that mitigations have been reviewed as part of the process. Continuing joint discussions will be key to maintaining and building on consistent and effective solutions to the funding gaps that we are all facing due to these changes.

In conclusion Cumbria CC notes Copeland Borough Council's recommendation in principle that the 2013/14 Local Council Tax scheme will be the Department for Communities and Local Government's default scheme. This is in recognition of the limited timescales for introduction; complexities involved in ensuring systems are in place and also importantly that the default scheme achieves the same impact on claimants as the existing Council Tax Benefit Scheme.

It is expected though that the scheme will be reviewed on an annual basis reflecting the uncertainties of Local Government Financing and the significant impact that increased demand or take up of the discounts will have on County Council funding. It will be a difficult balance to achieve between protecting the most vulnerable and minimising the impact on services throughout the County whilst making budget savings.

Cumbria County Council looks forward to responding again as part of the wider public consultation process over the summer and signing off the final schemes by 31 December 2012.

Yours sincerely



Jill Stannard
Chief Executive

c.c. Julie Crellin
Acting Assistant Director (Finance)