

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Leader)	Council	25 September 2012

LOCALISATION OF COUNCIL TAX SUPPORT 2013/14

PURPOSE OF REPORT

1. To present the options for the development of a draft council tax support scheme to be put in place from April 2013, and seek approval for a proposed draft scheme for public consultation. In addition, to outline and seek approval for an approach to that consultation.

RECOMMENDATION(S)

2. That members consider the options and information available and approve a draft scheme for public consultation. That the approach to consultation to be approved to start on or before the 1st October 2012 and run up to the 3rd December 2012.

EXECUTIVE SUMMARY OF REPORT

3. The Government have determined that Council Tax benefit will be abolished from April 2013 and the Council as the billing authority must design a new localised scheme of support for Council Tax. In addition, the grant currently received to fund council tax benefit will be reduced by 10%.
4. This will create an estimated shortfall of £826,000 in 2013/14, shared across all precepting authorities.
5. This report considers the options available and proposes an option of retaining the existing scheme as the new local scheme and making up the savings by using additional powers to reduce the level of exemptions. It also seeks approval of a proposed approach to consultation on the new draft scheme.
6. The proposed approach is to for Chorley's new local scheme is to amend the current council tax support scheme to introduce a graduated reduction in support for claimant groups not statutorily protected. In 2013/14, this reduction would be 7.5%. This reduction will not fully cover the reduction in funding, so the remainder will be achieved by changing Chorley's council tax exemption scheme.
7. This approach is proposed because the timescales involved in changing the scheme for 2013/14 do not allow a response to be developed and implemented that incentivises work and is properly targeted at the relevant claimant groups. Implementing larger reductions for claimants who are not protected statutorily but are on a low income may have unforeseen and adverse consequences which cannot be properly understood in the time available.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. In accordance with the legislation and guidance, the Council must approve and then consult on a draft scheme prior to taking a final decision. The approval for the new scheme of local council tax support must be given before the end of January 2013.
9. All approaches have advantages and disadvantages. However, the proposed approach has a lower risk in terms of collection, meets the design criteria and has the ability to fully offset the funding reduction, having the minimum impact on vulnerable groups.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. Different options for the new scheme of support for 2013/14 have been considered and are outlined in the report.

CORPORATE PRIORITIES

11. This report relates to the following Strategic Objectives:

Strong Family Support	X	Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	X
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy	X	Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Excellent Value for Money		Top Performing Organisation and Delivers	X

BACKGROUND

12. From the 1st April 2013, Council Tax Benefit in its current form will be abolished and the council must design a new localised scheme of support for Council Tax. The Government will provide a fixed sum to operate this new scheme which will not be ring-fenced and will not vary according to demand. This change is the Government's attempt to drive down the cost of welfare and free councils to incentivise people into employment.

13. As the change forms part of the Government's austerity measures, a saving is factored into the Government's proposals. This means that funding to the Council for council tax support will be at least 10% less than the Council's estimated 2013/14 spend on council tax benefit. However, the real terms reduction may be greater due to the growing demand for benefits payments from an increasing number of claimants.
14. Our estimated subsidy claim for Council Tax Benefit in 2012/13 is currently £8,090,173. This is an increase of 2.1% on the previous year. To provide some contingency, it has been assumed that this upward trend will continue as the Council develop the new scheme. This will create an estimated projected shortfall of £826,000 in 2013/14. Chorley Council's element of this equates to £90,860. The estimated financial impact on all parties is detailed below. However, it is possible that there could be a greater increase in claimants and more financial impact.

Funding reduction across	Chorley Council @11%	LCC @75%	Police @10%	Fire & Rescue @ 4%
£826,000	£90,860	£619,500	£82,600	£33,040

15. A draft scheme needs to be approved by the Council by the 25 September to allow a full, extensive consultation period with the public before a final scheme is approved at the meeting of the Council on the 8 January 2013.
16. If the Council do not approve a scheme by 31 January, a default scheme (the existing one) will be imposed by the Government and the Council will lose the ability to design the scheme to finance the 10% reduction. The new local scheme must be operational from April 2013. Once adopted, it must operate for a full year before it can be altered.
17. As the billing authority, Chorley Council must design and implement the new scheme in consultation with the precepting authorities, who share the financial pressures and risk. However, the final say on the scheme is with Chorley Council. The only firm guidelines on design are:
 - Pensioners must be fully protected (support will remain at existing levels with existing rules)
 - Vulnerable groups should be protected as far as possible, as determined locally (the Government will not prescribe which groups should be counted as 'vulnerable', but the Council will need to consider the risk of legal challenge, in relation to equality, child poverty and homelessness legislation)
 - Work incentives should be enhanced. This is not a statutory requirement of the new support schemes. It should be noted that this is a complex requirement, and would be difficult to achieve in the current timescales to implement for 2013/14
18. All precepting authorities have are being formally consulted on a range of options prior to the development a draft scheme. Their comments are presented later in the report at Appendix C in order to allow them to be taken into account prior to any to decision being taken on draft scheme being approved for public consultation.

CHORLEY'S COUNCIL TAX BENEFIT CASELOAD

19. The current profile of Chorley's council tax benefit caseload is detailed below.

Council Tax Benefit Claimant type	No. claimants
Elderly - Passported	2587
Elderly - Non Passported	1350
Working Age - Passported - Severe Disability	239
Working Age - Passported - Disability	270
Working Age - Passported - Lone Parent Child Under 5	369
Working Age - Passported - Child Under 5	136
Working Age - Passported - Family Premium	550
Working Age - Passported - Working	2
Working Age - Passported - Other	1103
Working Age - Non-Passported - Severe Disability	36
Working Age - Non-Passported - Disability	285
Working Age - Non-Passported - Lone Parent Child Under 5	140
Working Age - Non-Passported - Child Under 5	182
Working Age - Non-Passported - Family Premium	463
Working Age - Non-Passported - Working	222
Working Age - Non-Passported - Other	247
Grand Total	8181

20. The Council Tax Benefit claimants above fall into two key types:

- **Passported claimants** are assessed as living below their breadline. Based on their needs, their income is topped up to the minimum allowance based on their need by the DWP - no income information is collected by the council for these claimants. They are automatically entitled to maximum council tax benefit as they are passported by DWP to the Council as being entitled to full benefit.
- **Non-passported claimants** do not receive council tax benefit automatically. The benefit is provided based on the scheme and the information about their circumstances and incomes collected by the Council.

THE DESIGN OF THE NEW LOCAL SCHEME

21. In designing a new local scheme on a reduced fixed sum councils can either pass on the cut to claimants or pick up the cost through an increase in council tax, fees and charges, or cuts in services and efficiencies. Across the UK, it appears that most councils are choosing to pass on the cut in benefit support to claimants rather than fund the reduction locally; given the range of other budget reductions, spending cuts and increases in demand.

22. It should be noted that as 3937 (48.1%) of Council Tax Benefit claimants are pensioners who will be statutorily protected, any reduction in support can only apply to 4,244 working age recipients of the benefit (51.9%) so the reduction for those of working age affected will be well in excess of 10%.

23. The key approaches which could be taken are detailed below:

Approach 1 - Change the existing scheme to reduce the benefit bill by reducing payments to working age residents. Variations on this option include:

A) Maintaining the current scheme, but introducing further means testing. This approach could ensure that the support scheme incentivises employment but does not adversely impact on vulnerable people, or put unrealistic pressure on the income of other benefit recipients. However this would require additional information to be collected from around 4,244 claimants and will be too complex to implement within the timescales involved in developing a scheme for 2013/14.

B) Basing a scheme on the status of the claimant - so a type of income or status (for example unemployment) would generate a standard rate of benefit. This is not a feasible option for 2013/14 due to the complexity of introducing such a scheme by April 2013, lack of support from software suppliers, additional collection requirements (and associated costs); and duplication, as the current calculation scheme will still be required for pensioners.

C) Achieving a saving by maintaining the current scheme but reducing the level of Council Tax support or reducing the amount of Council Tax eligible for support.

24. As already noted, given the timescales involved, it is not possible to gather the information required and then develop a scheme which truly avoids placing undue pressure on vulnerable people for 2013/14.
25. This would only leave Option C '*Achieving a saving by maintaining the current scheme but reducing the level of Council Tax support or reducing the amount of Council Tax eligible for support.*' This could be either through 'equal pain' - by reducing all benefit payments by the same proportion, even those of very poor residents who currently pay nothing; or 'selective pain' - removing support from certain working age groups the Council consider to be 'non vulnerable'. No firm guidance has been provided on protection other than that consideration should be given to: the Equality Act 2010; the Child Poverty Act 2010, which imposes a duty on local authorities and their partners, to reduce and mitigate the effects of child poverty in their local areas; the Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970, which include a range of duties relating to the welfare needs of disabled people and the Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups. However, the greater the protections provided, the larger the impact will be on the unprotected groups.
26. Less than 500 of the current claimants do not have a characteristic that could classify them as being vulnerable (e.g. with a disability or having children at increased risk of child poverty). Funding the shortfall through a significant reduction in support only for non-vulnerable groups could be judged to be unreasonable and unfair, particularly as many of these residents do work but are on low wages. Various options have been considered at a Lancashire level, the districts are in the process of setting core principles of a Lancashire-wide approach to schemes.
27. The approach favoured by the County Council and the majority of the other Lancashire district and unitary councils is to apply a percentage reduction to current support. This would result in a basic amendment to the current scheme so benefit is calculated in accordance with current rules but with a percentage reduction in benefit applied at the end of the calculation. This means that a 30% reduction would need to be applied universally as an 'equal pain' approach to all claimants, other than those protected by legislation (such as pensioners), to deliver the required saving, assuming a collection rate of 83% collection rate could be achieved.
28. This is the approach that is being consulted on by most other the other districts with the exception of Ribbles Valley Borough Council, who are proposing an approach of a 12% universal cut, along with council tax exemptions being reduced.

Impacts of funding the scheme via a reduction in benefits payments

29. The following table details the average incomes for residents on non-passported payments, based on the data from the Council's benefits system, the Department of Work and Pensions levels of assessed needs and the level of reduction that would be required to achieve a saving of £826,000 assuming an 83% collection rate.

Group Type	Number of claimants	Median Weekly Gross Incomes (using) (removes very high and low values this is how we measure household income in the borough)	Weekly applicable amount (what DWP assess the claimant as needing to live on).	Average income	Mode / most common income	Average weekly reduction in support to raise £826,000 shortfall (a 30% reduction at an 83% collection rate)
Working Age - Passported - Severe Disability	239	£159.55	£159.55	£182.35	£159.55	-\$4.61
Working Age - Passported - Disability	270	£154.70	£154.70	£179.59	£101.35	-\$5.64
Working Age - Passported - Lone Parent Child Under 5	369	£218.38	£218.38	£215.75	£153.39	-\$4.66
Working Age - Passported - Child Under 5	136	£286.98	£286.98	£299.80	£193.84	-\$6.23
Working Age - Passported – Families	550	£218.38	£218.38	£226.18	£153.39	-\$5.07
Working Age - Passported - Other (unemployed)	1103	£71.00	£71.00	£83.76	£71.00	-\$4.72
Working Age - Non-Passported - Severe Disability	36	£229.32	£166.95	£245.61	£186.07	-\$4.31
Working Age - Non-Passported - Disability	285	£187.83	£101.35	£231.35	£105.44	-\$4.31
Working Age - Non-Passported - Lone Parent Child Under 5	140	£338.82	£153.39	£ 339.32	£82.13	-\$3.32
Working Age - Non-Passported - Child Under 5	182	£368.10	£258.83	£367.08	£272.20	-\$4.52
Working Age - Non-Passported - Family Premium	463	£296.32	£218.38	£296.32	£249.47	-\$3.64
Working Age - Non-Passported - Working	222	£109.66	£71.00	£ 126.46	£97.28	-\$3.17
Working Age - Non-Passported – Other (unemployed)	247	£71.00	£71.00	£79.95	£71.00	-\$3.68

30. The gross income totals above include all income apart from housing benefit and council tax benefit. This means the figures include Child Benefit payments, disability payment and earned income. There are major differences between 'mode/most common payment amount' and average and medians. This is because under each household group type there are households with differing needs and circumstances based on their make-up. The mode demonstrates the most common payment amount. The Council do not hold any data on the income of people on passported benefits, so their needs amount is used to represent their income as what income they have will be topped up to the applicable amount (their assessed needs level) by DWP.
31. It should be emphasised that, at present the Council does not hold detailed, analysed information to enable it to understand the demographic makeup of the claimant groups to understand adequately whether a change in the benefits scheme will impact adversely on

either those defined as vulnerable in legislation, or people who may not be vulnerable but are on a low income.

Problems with this approach

32. Applying a universal reduction by developing a scheme which reduces the benefit payments to make the scheme self-financing is not proposed for the following reasons:
- The scheme would technically be self-financing. However, collection is likely to be difficult, with the Council having to extract small amounts of money from a large number of households, 63% of whom (2,669) are on passported benefits and currently pay nothing and have a limited ability to pay. Collection will be difficult and costly as it will require additional resources (estimated at up to two additional collection staff).
 - Covering the funding gap via reductions in support could exacerbate the increasing levels of inequality of life chances and deprivation in the borough, particularly given that it risks taking those on low incomes into greater financial hardship.
 - This approach will also require a hardship fund to be set up and administered, incurring additional costs (no prescribed amount has yet been determined).
 - This approach will provide a strong work incentive by reducing support. However, as the same percentage reduction in support would be applied to residents who work on low incomes and those who do not work, it could be seen as a disincentive to employed people on a low income who receive the support.
 - There is a risk of legal challenge from those affected on equality, child poverty or homelessness grounds.

Possible alternative: graduated approach

33. Given the risks and issues discussed in the section above around developing a scheme that truly protects vulnerable people and targets incentivising employment, a possible approach is to implement a graduated approach to reducing council tax support to claimant groups that are not statutorily protected.
34. Modelling has been undertaken to illustrate the average reductions that would be experienced by the different claimant groups at different levels of reduction. This information is included at Appendix A.
35. Using the same information presented at paragraph 29, but with a 7.5% reduction in support the impact would be as follows:

Group Type	Number claimants	Median Weekly Gross Incomes (removes very high and low values - this is how Chorley's overall household income is measured)	Weekly applicable amount (what DWP assess the claimant as needing to live on).	Average income	Mode / most common income	Average weekly reduction with 7.5% reduction in support
Working Age - Passported - Severe Disability	239	£159.55	£159.55	£182.35	£159.55	£-1.15
Working Age - Passported - Disability	270	£154.70	£154.70	£179.59	£101.35	£-1.41
Working Age - Passported - Lone Parent Child Under 5	369	£218.38	£218.38	£215.75	£153.39	£-1.18
Working Age - Passported - Child Under 5	136	£286.98	£286.98	£299.80	£193.84	£-1.56
Working Age - Passported - Families	550	£218.38	£218.38	£226.18	£153.39	£-1.30
Working Age - Passported - Other (unemployed)	1103	£71.00	£71.00	£83.76	£71.00	£-1.20
Working Age - Non-Passported - Severe Disability	36	£229.32	£166.95	£245.61	£186.07	£-1.14
Working Age - Non-Passported - Disability	285	£187.83	£101.35	£231.35	£105.44	£-1.32
Working Age - Non-Passported - Lone Parent Child Under 5	140	£338.82	£153.39	£ 339.32	£82.13	£-1.18
Working Age - Non-Passported - Child Under 5	182	£368.10	£258.83	£367.08	£272.20	£-1.64
Working Age - Non-Passported - Family Premium	463	£296.32	£218.38	£296.32	£249.47	£-1.35
Working Age - Non-Passported - Working	222	£109.66	£71.00	£ 126.46	£97.28	£-1.21
Working Age - Non-Passported - Other (unemployed)	247	£71.00	£71.00	£79.95	£71.00	£-1.02

36. In a recent report to the Lancashire Leaders' group, it was estimated that a 50% collection rate should be expected when collecting from first time payers. Based on a 50% collection rate, the overall saving from a 7.5% reduction in the support scheme to these claimant groups would be £139,944.
37. This approach brings the benefit of limiting the impact on claimant groups who are likely to struggle to pay because of their low income, but also starting to introduce a reduction in support that can be continued in future years as activities that support people into work are further developed and targeted at key claimant groups.

Approach 2 - Retain the existing scheme funded by generating additional revenue from other means.

38. This could be achieved through either increasing the level of council tax, fees and charges or making savings across all precepting authorities. Plugging the £826,000 shortfall would require the equivalent of a 1.6% increase in Council Tax, which would have an impact on all council tax payers.
39. This would essentially be a 'do nothing approach' as the existing scheme would be retained without any reductions. This would have a number of advantages and disadvantages. Benefit claimants would see no change in the amount of council tax they pay and many of the issues above such as legal risks, impact on vulnerable residents would be avoided. However, continuing to fund the existing scheme does not provide a work incentive.

40. While Chorley Council could take this decision it would require all the precepting authorities to follow suit or make the following savings through other means: Lancashire County Council: £619,500, Lancashire Police: £82,600, Lancashire Fire & Rescue: £33,040. As such, it is very unlikely to be an acceptable option as it would pass on budget pressure to all other preceptors are likely to object to this option or could even challenge it in court.

Approach 3 - Proposed approach for scheme – no change to scheme, funding from additional Council Tax income through changes in exemptions

41. An alternative approach may be to retain the existing scheme in 2013/14 but achieve the savings required by increasing the overall council tax take. New powers provided in the Local Government Finance Bill from April 2013 will give the Council the ability to reduce some of the council tax exemptions currently available.
42. The issues discussed earlier in this report, around creating a scheme that protects vulnerable people and incentivises employment in the timescales available, coupled with the major changes to the welfare system planned, mean that retaining the current scheme may be beneficial. It would give an opportunity to develop a scheme that is based on insight about the claimants and enable the council and partners to develop programmes that support people into work as their benefits are reduced. This additional income could enable the existing scheme to operate for the one year, with a view to changes being made to the scheme in 2014/15.
43. Reducing exemptions would also bring Chorley closer into line with other councils. The council already provide comparatively favourable levels of exemptions – taking less than the maximum in several of the categories where they already have powers to levy more council tax. For example, 92% of authorities apply a 10% discount for second homes and Chorley is one of only 6% that apply a 50% reduction.
44. The table below identifies the proposed changes to exemptions, the number of properties impacted and the additional income which could be generated:

Exemption type Description	No. properties currently receiving exemption	Current exemption	New exemption	Additional Income
Class A - vacant dwellings – undergoing major repair works	55	100% for up to 12 months	50% for 12 months	£56,247
Class C - a vacant dwelling (i.e. empty and substantially unfurnished)	612 empty 0-6 months 306 empty 6-24 months 254 empty for over two years.	100% for 6 months then 50% indefinitely as a long term empty property	Phase 1: (0-6 months) 50% discount, Phase 2: (6 – 24 months) 25% discount Phase 3: (From 24 months) a premium of 125% of council tax will be billed	£562,371
Class L - an unoccupied dwelling which has been taken into possession by a mortgage lender.	20	100%	0% / No exemption	£30,661
Second Homes - A vacant dwelling (furnished)	87	50%	0% / No exemption	£46,367
Total				£695,646

45. The income identified from exemptions above is based on a collection rate of 90% which is lower than the overall council tax collection rate of 98%. This approach will allow some additional protection against growth in the level of claims for council tax support and for reduced collection rates. All modelling has been based on an projected increase of council tax benefit spending of 2.1% to allow for an increase in claimant numbers, however there is a risk of higher level of growth in demand (although this would impact on the county council significantly more than Chorley Council).

46. The advantages of this approach are as follows:

- Reducing exemptions supports the Council's aim of reducing the number of empty properties in the borough. These properties can have a negative impact on local communities, in terms of the environment, crime and anti-social behaviour and are a drain of resources for all precepting authorities. For example, empty homes are eight times more likely to suffer arson or may need to be made safe at a cost to the Council. If the scheme financially incentivises a return to use this will also have an impact on local affordability (many are Band A homes) and support the local construction sector.
- Making the majority of the saving via exemptions reduces the key risk to the council and preceptors of failure to collect additional council tax from claimants. A scheme based on a reduction in council tax support would be difficult and costly to operate for as the council will have to extract small amounts of money from a large number claimants, many of whom currently do not pay anything. A recent paper to Lancashire Leaders estimates a collection rate of only 50% from first time payers. Collecting larger sums via exemptions from residents who are likely to have a greater ability to pay and already pay council tax represents a reduced risk.

- It is a fairer approach than simply reducing support. As almost half of council tax benefit claimants are pensioners who must be protected, reductions can only apply to 4,244 working age recipients of the benefit. Less than 500 of these claimants do not have some characteristic that could classify them as being vulnerable (e.g. a disability, or children increasing the risk of child poverty). Funding the shortfall through a reduction in support only for non-vulnerable groups could be seen as being unreasonable and unfair, particularly as many of these residents do work but are very on low wages, they have some of the lowest average weekly incomes of all residents. This means that a 30% reduction would need to be applied universally to all claimants, including the vulnerable, to deliver the required saving.
- The exemptions reduction approach does not require a choice to be made on which groups of 'vulnerable' claimants should be protected over others, which could result in legal challenges.
- It would be simple to operate. No major software changes or additional information collection are required from claimants.
- Taking this approach will allow the impacts of Universal Credit and other welfare reforms to be taken into account in a new scheme from April 2014 onwards rather than producing a council tax benefit scheme in isolation and then having to make further changes to the scheme when Universal Credit is introduced.

47. The issues and risks with the proposed approach are as follows:

- The support scheme is not self-financed through a reduction in council tax support payments, but instead makes use of additional income from the exemptions scheme. In other circumstances, this could be spent on other objectives.
- The approach does not meet the design guidance to provide a work incentive to support the Government's policy of reducing dependency on benefits. However, the existing scheme provides some work incentives through earnings disregard and a 'run in period' to prevent a cliff edge effect for those entering work.
- Carries a risk of legal challenge from those with exemptions currently (landlords, second home owners, Registered Social Landlords (around 100 exemptions are RSLs), and banks or building societies and from preceptors, who may want to use the money that could be raised from exemptions for other objectives.
- There is a risk that the Local Government Finance Bill, on which the scheme is dependent, is not passed, although these powers have been promised by the Government it is now awaiting its 3rd and final reading in the House of Lords, before receiving royal ascent.

PROPOSED SCHEME FOR 2013/2014

48. Given the issues discussed earlier in the report with developing a new scheme, that has been developed to provide support for vulnerable people and incentivise employment, within the timescales available; the proposed approach is to:

- Change the current council tax exemption scheme to cover most of the shortfall.
- Change the current council tax support scheme to introduce a graduated reduction in support for claimant groups who are not statutorily protected, with a 7.5% reduction in 2013/14.

49. This combined approach will protect those who are defined as vulnerable in legislation, and also ensure that other claimant groups who may be on very low incomes do not have a disproportionately large reduction in their average income. Further reductions in the scheme of support can then be made in future years, alongside activity to provide support into employment.

50. This combined approach would achieve the necessary savings, with a small contingency for any additional increases demand above that already accounted for:

Income from reduction in exemptions (based on 90% collection)	£695,646
Savings from 7.5% reduction in claimant groups not defined as statutorily vulnerable (based on 50% collection rate)	£139,944
Total savings	£835,590
Savings required	£826,000

CONSULTATION ON THE DRAFT SCHEME

51. Any policy change which will have a major impact on residents should be consulted upon. The guidance on localisation of council tax is also clear that the public should be consulted upon changes. No set periods have been provided, although best practice is to consult for 12 weeks. The Government have made it clear in their statement of intent that a shorter period is acceptable in order to achieve approval in line with the democratic and budget process and that the level of change should determine consultation length. Nationally, most councils are consulting for a period of between eight to twelve weeks.

Timing of the consultation

52. In line with the Council's consultation and participation strategy, the consultation needs to be carried out at a time when the results can be meaningfully fed into the decision making process. As the draft scheme needs to be approved by Council on the 25 September to allow a full, extensive consultation period with the public before a final scheme is approved at Council on the 8 January 2012. It is proposed that the consultation will last for at least eight weeks, starting on or before the 1st October and will run until the 3rd December 2012. This will allow a period of two weeks for the results to be analysed and considered prior to Council papers for being released before the Christmas and new year closedown.

Content and approach to Consultation

53. The Council will ensure that we consult with all effected parties, taking into account the needs of sections of society who find consultation difficult to engage with. The consultation will gather views on the full draft scheme (a no change approach) as well as the various alternative options above and changes to exemptions and will consist of:
- A survey of a representative sample of the population, of residents in receipt of council tax benefit and of those currently in receipt of exemptions.
 - An online survey available for all residents to have their say hosted prominently on the council's website.
 - Consultation with partners, organisations and representative groups

The full consultation results will presented to elected members prior to a decision being made on a final scheme at Council 8 January 2013.

SUMMARY OF COMMENTS OF PRECEPTORS

54. A letter outlining the Council's proposal was sent to the identified treasurers of Lancashire County Council, Lancashire Police Authority and the Lancashire Fire and Rescue Service on the 31st August asking for responses by the 12th September 2012. At the time of writing no comments have been received from Lancashire County Council and the Lancashire Police Authority. The Lancashire Fire and Rescue have indicated that would support the proposed option of a graduated approach of a 7.5% reduction in benefits and reduction in exemptions

and also the option to fund the scheme or a 30% reduction in support for all claimants provided the scheme is cost neutral for the Fire and Rescue Service and that the estimated savings are realistic and achievable through the scheme. The full letter and response are presented as appendices B and C. A full response will be provided to the comments made by all precepting authorities as part of the consultation process.

IMPLICATIONS OF REPORT

55. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	✓
Legal	✓	Integrated Impact Assessment required?	✓
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

56. The financial consequences of the proposed changes to the Council Tax benefit regime are set out in the report. The proposals as outlined in the report are designed to make the changes cost neutral on all precepting authorities whilst minimising the impact on those not protected statutorily. The changes particularly to the benefits will be initially for one year so the Council can assess the financial impact, the approach seems wholly reasonable and consistent with a prudent approach to managing the risks.

COMMENTS OF THE MONITORING OFFICER

57. Any proposed scheme should always meet the legislative requirements. In this instance the Government has prescribed that pensioners should be protected and the proposed scheme meets that requirement. The Council will also be required to ensure that any proposed scheme is fit for purpose and meets the responsibilities of the Council in respect of equalities, child poverty, the armed forces covenant and the prevention of homelessness. The recommendation is to approve the scheme for consultation and as such, relevant groups will be consulted and a full impact assessment undertaken to include any feedback from consultation.

58. We are also required under the legislation to consult with other precepting authorities. Again, this has been complied with and that feedback will be presented to the Council prior to them making a decision on the proposal outlined in this paper. As with any changes to legislation on this scale there is potentially the risk of challenge, including from the precepting authorities, that the proposed scheme does not meet the legislative requirements and may be subject to legal challenge. The safeguards put in place to date should mitigate that risk.

COMMENTS OF THE HEAD OF POLICY AND COMMUNICATIONS

59. An integrated impact assessment will be undertaken prior to the scheme being finalised and approved. The changes currently proposed aim to limit adverse impact that might be felt by groups with protected characteristics, and the consultation should gather information about potential impacts which can be considered in the impact assessment.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
David Wilkinson	5248	14/09/12	LOCALTAXSCHEME_COUNCIL

Average reduction in income

Claimant Group	5% reduction		7% reduction		7.5% reduction		8% reduction		9% reduction	
	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual	Weekly	Annual
Working Age - Passported - Severe Disability	£0.77	£40.04	£1.07	£56.05	£1.15	£60.06	£1.23	£64.06	£1.38	£72.07
Working Age - Passported - Disability	£0.94	£49.05	£1.32	£68.68	£1.41	£73.58	£1.51	£78.49	£1.69	£88.30
Working Age - Passported - Lone Parent Child Under 5	£0.79	£41.03	£1.10	£57.44	£1.18	£61.54	£1.26	£65.64	£1.42	£73.85
Working Age - Passported - Child Under 5	£1.04	£54.17	£1.45	£75.83	£1.56	£81.25	£1.66	£86.67	£1.87	£97.50
Working Age - Passported - Family Premium	£0.87	£45.34	£1.22	£63.48	£1.30	£68.01	£1.39	£72.55	£1.57	£81.62
Working Age - Passported - Working	£0.73	£38.14	£1.02	£53.40	£1.10	£57.21	£1.17	£61.03	£1.32	£68.66
Working Age - Passported - Other	£0.80	£41.65	£1.12	£58.31	£1.20	£62.48	£1.28	£66.64	£1.44	£74.97
Working Age - Non-Passported - Severe Disability	£0.76	£39.58	£1.06	£55.41	£1.14	£59.37	£1.21	£63.33	£1.37	£71.25
Working Age - Non-Passported - Disability	£0.88	£45.79	£1.23	£64.10	£1.32	£68.68	£1.41	£73.26	£1.58	£82.42
Working Age - Non-Passported - Lone Parent Child Under 5	£0.79	£41.15	£1.10	£57.61	£1.18	£61.73	£1.26	£65.84	£1.42	£74.07
Working Age - Non-Passported - Child Under 5	£1.09	£56.88	£1.53	£79.64	£1.64	£85.33	£1.75	£91.01	£1.96	£102.39
Working Age - Non-Passported - Family Premium	£0.90	£46.76	£1.26	£65.46	£1.35	£70.14	£1.43	£74.81	£1.61	£84.17
Working Age - Non-Passported - Working	£0.81	£42.05	£1.13	£58.87	£1.21	£63.08	£1.29	£67.28	£1.45	£75.69
Working Age - Non-Passported - Other	£0.68	£35.39	£0.95	£49.55	£1.02	£53.08	£1.09	£56.62	£1.22	£63.70
Potential saving – at 50% collection rate	£93,296		£130,614		£139,944		£149,274		£167,933	

Appendix B – Letter to preceptors

Our Ref: AB/CS
Your Ref:
Date: 31 August 2012

Dear XXX

Consultation on a proposed local scheme for council tax support in Chorley 2012/13

The purpose of this letter is to consult with you on the approach that Chorley Council intends to adopt in establishing its local scheme for Council Tax Support from April 2013 to give you an opportunity to help shape the design of the local scheme for Chorley.

In developing the new proposed scheme, the council has considered the implications of the government's 10% reduction in funding, and the analysis undertaken at a county level which suggests the real-terms reduction is likely to be 12%. To be prudent, the council has developed options that would account for an increase in claimant levels without creating additional funding pressures. Based on a 12% reduction, the table below shows the potential impact of the reduction.

Funding reduction across	Chorley Council (11%)	LCC (75%)	Police (10%)	Fire & Rescue (4%)
£826,000	£90,860	£619,500	£82,600	£33,040

Options for the design of the scheme

The Council has considered the following options for its local scheme:

Option A: A graduated reduction in benefits and change to the exemptions scheme to increase revenue

This option would introduce a reduction of 7.5% in 2013/14 for all claimant groups who are not statutorily protected. In addition, changes would be made to the exemptions scheme to increase revenue from categories that are currently wholly or partially exempt, including a premium for long-term empty homes.

Option B: Adopt a the current scheme and make savings elsewhere

This option would mean making no changes to the scheme that is currently used, but covering the funding gap from elsewhere, either through a council tax increase or reductions in spending in other areas.

Option C: Reduce the support given to working-age claimants by around 30%

This option would cover the gap in funding by applying a reduction of around 30% at the end of the calculation for working age claimant groups.

Preferred approach

Chorley Council's preferred approach is Option A.

Given the timescales involved, the council does not think that a scheme can be developed for 2013/14 that will properly incentivise employment and protect those claimants that are not statutorily protected but are on a low income. The council is mindful that it does not want to implement a scheme that unfairly or disproportionately affects a relatively small

number of claimants with a large reduction in support. Furthermore, we do not believe that, at present, partners have in place effective interventions that will support these groups into employment in time for the implementation of the new scheme in 2013/14.

Our modelling suggests that implementing a scheme based on Option C would mean an average reduction of approximately £4.40 per week for working age claimants. In many cases, this is likely to reduce household incomes to below levels which would be sustainable. Option A would still introduce a reduction, but the average would be around £1.20 per week. We believe that this is a more realistic reduction for 2013/14, and would provide time and opportunity to develop programmes to support those people into work.

Collection of tax and practicality of operation must be a key factor for the new scheme. There is a significant risk of non-collection and difficulty in collecting relatively small amounts of income from residents. A recent paper to the Lancashire Leaders group estimated that there was likely to be a collection rate of only 50% from first time payers. Option C would rely upon a collection rate far higher than this – at 83%.

We believe that our preferred approach reduces the collective risk of all precepting authorities from high levels of non-payment and difficulty in collection. Although the collection of a proportion of council tax from less vulnerable claimants will represent a similar risk, utilising freedoms on exemptions will mean that income to cover the gap in funding will also come from other groups.

It should also be noted that Chorley has an excellent record of council tax collection. 98.3% of council tax was collected in 2012/13, far higher than most other districts in the county area as Chorley Council puts in considerable effort and resources to bring in a significant income stream for all precepting authorities.

The removal of exemptions will also deliver against Chorley's local priorities by encouraging the reduction of the number of empty properties in the borough. Reducing exemptions will financially incentivise owners to bring these properties back into use. Empty homes cause major issues for communities to neighbours such as vandalism, anti-social behaviour, occasionally arson and further costs to all precepting authorities.

The majority of empty properties in Chorley are Class A, which means the scheme will encourage these properties to be either sold or let out, will bring more affordable property onto the local housing market and have a positive effect by generating work in the local economy.

The Council would like to make it clear that following the first year of operation, any scheme chosen will be reviewed, and changes may be made once the impact and success of the scheme has been assessed.

Please could you respond to this consultation by no later than 12 September, so that your views can be considered at the Council meeting on the 25 September, where a decision on a draft scheme for consultation with the public will be approved.

Yours sincerely

A handwritten signature in black ink that reads "A. W. Bradley". The signature is written in a cursive style with a horizontal line underneath the name.

Councillor Alistair Bradley
Leader Chorley Council
email: alistair.bradley@chorley.gov.uk
Tel: 01257 515104

APPENDIX 3 Comments of the major precepting authorities

Lancashire Fire and Rescue

Localised Council Tax Support

Thank you for your letter dated 31 August 2012.

We are obviously concerned about the impact that the reduction in funding has on both our own funding levels and also on individual claimants.

We note that our share of the impact of the estimated reduction in government funding in respect of council tax benefit in Chorley is £23k. However as you are aware this forms part of a county wide reduction for the Fire Authority of approx. £600k. As such we are obviously keen to ensure that any new scheme offsets the reduction in funding, thus presenting a cost neutral position for the Authority.

With this in mind we would support the following design principles:-

- ♣ be affordable in terms of grant received, revenue loss and costs to operate
- ♣ be as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Analysis is required
- ♣ be transparent, understandable to customers and practical to operate
- ♣ be feasible to implement within the constraints of the timescales and available software
- ♣ be simple in design avoiding unnecessary complexity
- ♣ avoid the costs and risks associated with collecting additional data
- ♣ Incorporate a contingency saving to allow for growth in the number of claims.

In terms of the options presented we note that option A is your preferred option, can you confirm whether this option would be cost neutral from our perspective. It is also worth noting that we would also support option C which is also self financing. However we do not support Option B which as this does not identify any reductions in support to ensure a cost neutral position and which therefore requires the Fire Service to identify additional savings over and above those already required to balance the challenging financial position.

We are keen to ensure that any estimate of the impact of the new regulations are robust, particularly with reference to anticipated collection rates and this needs careful modelling and monitoring to ensure that estimates are realistic and achieved.

We are also concerned about the local demand for council tax discount and the potential for this to increase over the next few years, in contrast with the government's assumption that it will reduce, and believe that any scheme needs to be flexible enough to cope with changes in the future, and hence support your view that a review will be undertaken to ensure that the scheme remains fit for purpose.

We note that you intend to utilise changes to current council tax discounts or exemptions in respect of the various categories of empty properties, second homes etc. to offset some of the funding loss and whilst we support this as a principle, we would suggest that this could also incorporate a contingency element to allow for any potential growth in the number of claims.

Keith Mattinson
Director of Corporate Services/Treasurer
Lancashire Fire & Rescue Service Headquarters
Garstang Road
Fulwood
Preston
PR2 3LH

LANCASHIRE POLICE AUTHORITY

No response

LANCASHIRE COUNTY COUNCIL

No response