

Report of	Meeting	Date
Chief Executive	Council	8 January 2013

## **LOCAL COUNCIL TAX SUPPORT SCHEME AND CHANGES TO COUNCIL TAX DISCOUNT AND EXEMPTION SCHEME**

### **PURPOSE OF REPORT**

1. To present the proposed scheme for localised council tax support that will be implemented from 1 April 2013 for approval.
2. To present the proposed scheme for council tax discounts and exemption that will be implemented from 1 April 2013 for approval.
3. In addition, to present to Members the results of the consultation exercise undertaken on the proposals and an integrated impact assessment on the schemes.

### **RECOMMENDATION(S)**

4. That Members consider the results of the consultation and impact assessment and approve the local council tax support scheme summarised at Appendix C for implementation from 1 April 2013.
5. That Members consider the results of the consultation and impact assessment and approve the scheme for council tax discounts and exemptions summarised at Appendix E for implementation from 1 April 2013.
6. Adopt the debt recovery policy set out at Appendix F for implementation from 1 April 2013.

### **EXECUTIVE SUMMARY OF REPORT**

7. The report sets out the proposed schemes for council tax support and discounts and exemptions for empty properties for approval. If approved, the schemes would be implemented from 1 April 2013. The proposed scheme of council tax support retains the same features as the current council tax benefit scheme, but includes a reduction of the final payment of 7.5% for claimants who are of working age. The proposed scheme for council tax discounts and exemptions makes changes and reductions to discounts and exemptions currently available for certain types of empty property. The full regulations to the schemes are available as background papers to this report.
8. The report also provides a summary of the responses received to the consultation on the draft proposals. These show a general support for the preferred option.
9. Impact assessments have also been undertaken on the two proposed schemes. These are included as appendices to the main report.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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## CORPORATE PRIORITIES

10. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	✓

## BACKGROUND

11. The Local Government Finance Act 2012 requires local authorities to design and implement a local scheme to administer council tax support. These localised schemes have to be approved by 31 January 2013, and implemented from 1 April, and will replace the current system of council tax benefit.
12. In the Spending Review 2010, the government announced that the expenditure used to fund the support would be reduced by 10%. Councils need to consider this reduction in funding as part of the design of their new scheme.
13. The government have also set other requirements:
  - that people who are older than pensionable age cannot be affected by the new localised scheme.
  - that council's should have regard to their existing duties to protect vulnerable people; including, the public sector equality duty, the duty to mitigate the effects of child poverty and the duty to prevent homelessness.
14. The government have also indicated that they see the localisation of council tax support to form part of the wider welfare reforms, which aim to promote incentives to work and reduce worklessness and so have encouraged councils to consider this when designing their new schemes.
15. As the billing authority, Chorley Council is responsible for the design and implementation of the new scheme. However, as the council collects council tax on behalf of the other precepting organisations, they will be affected by any support scheme that is implemented. The relevant organisations are Lancashire County Council, Lancashire Fire and Rescue and Lancashire Police Authority.
16. In addition, provision has also been made in the Local Government Finance Act to give local authorities greater flexibility when setting discounts and exemptions from council tax on different categories of empty properties. While this is a separate scheme to council tax support, it potentially provides an additional option in meeting the funding gap set out below.
17. The changes to council tax benefit are only part of the wider reforms of the welfare system which are being introduced over the coming years. Other changes include, for example, the introduction of the Universal Credit; changes to rules around under-occupancy in relation to Housing Benefit, the extension of the local housing allowance shared room rates to under 35 year olds, and the replacement of disability living allowance by personal independence payments. These changes all have the potential to have a significant impact on residents and particularly certain groups who currently receive support through the welfare system. Although these changes are driven at a national level, the local scheme of support proposed in this report attempts to recognise that the impact is uncertain and so introduces a smaller reduction in support for 2013/14.

## **REDUCTION IN FUNDING**

18. The Government's announcements in the spending review referred to a 10% reduction in the grant available to fund council tax support scheme. However, it is anticipated that potential increases in caseload and the way in which the grant may be distributed between different areas means that the reduction may be a real-terms reduction of between 10% and 12%. The shortfall in the scheme could therefore be between £670,000 and £800,000.
19. It should be noted that the risk of a shortfall in funding will fall on each of the precepting authorities in proportion to their share of the council tax revenue.

## **POTENTIAL OPTIONS**

20. At the full council meeting in September, council considered a number of options for the new support scheme. In summary, these were:
  - a. introduce a new scheme which introduced further means testing or requirements for working age claimants.
  - b. retaining the same approach as the current council tax benefit, but reducing the payment to working age claimants
  - c. retain the current council tax benefit scheme and cover the budget shortfall through other means (such as council tax increase, budget reductions, or a change to the scheme of exemptions and discounts on council tax).
21. These options are not necessarily mutually exclusive, and the approach taken could be a mixture of each.
22. The council indicated in September that its preferred approach was to retain the current scheme, but introduce a reduction of 7.5% for all claimants of working age. In addition, the scheme of exemptions and discounts would be changed to reduce the exemptions and discounts available for certain categories of empty property and second homes. It was estimated that this approach would cover the likely shortfall in funding.
23. Although the council decided on a preferred approach, it also asked that all the options should be included within the consultation that was undertaken between September and December. The approach taken in the consultation and results are outlined below.

## **TRANSITIONAL GRANT SUPPORT**

24. During October, the Government announced the creation of a support fund of £100 million for authorities that implemented 'well-designed' schemes of support. Their intention in providing this funding to enable councils to explore more sustainable ways of managing the funding reduction that minimise the impact on vulnerable people. This funding would be available for one year.
25. To be eligible to apply for a share of the grant, councils must implement a scheme which meets the following criteria:
  - Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
  - The taper rate does not increase above 25%;
  - There is no sharp reduction in support for those entering work.
26. If the local scheme approved for Chorley is accepted as meeting the criteria, the funding for the borough would be £155,752. The funding would be split amongst the precepting authorities as follows:

- Chorley Council: £19,890
- Lancashire County Council: £113,910
- Lancashire Police: £15,410
- Lancashire Fire: £6,542

27. The scheme proposed in this report would meet with the criteria for receiving the grant. The council can only apply for the money after 31 January 2013, and must do so before 15 February. The funding payment would then be made in March 2013.

## CONSULTATION

28. A large consultation exercise was undertaken on the proposals for a localised scheme of council tax support. The consultation commenced on the 1 October and ran until 3 December. As well as asking for respondents' views on which of the proposals they would support or not support, there was targeted questions to gather information about the potential impact of the proposals on different groups.

29. Those who were most likely to be affected by the proposed options were targeted through different surveys. Those groups were:

- **Working age benefit claimants.** All people of working age who are currently in receipt of council tax benefit were sent a postal survey to complete. This survey asked for views on the proposed options, but also the potential impact that a reduction in benefit level would have on claimants. This survey was sent to about 4,200 households.
- **Owners of properties in receipt of an exemption or discount.** People who own properties that would be affected by the proposed options which would reduce the amount of discount or exemption available for certain types of empty property. Again, this survey asked for views on the options, and also asked about the potential impact of the proposals on the affected people. This survey was sent to 1,500 households.
- **Council tax payers.** A final survey was sent to a random sample of council tax payers. This survey asked for respondents' views on the proposals, and the potential impact on different groups. This survey was sent to about 6,300 people.

30. The survey was also made available on the council website, and an invitation to respond was sent out the steering group on local advice (a group which is made up of local advice organisations that is examining the potential impact of welfare reforms).

31. The overall consultation (from the three surveys) received 1,205 responses. The responses have been weighted by age and gender to ensure they more accurately reflect the likely response from the wider population.

32. Please note, that where the term 'council tax payers' has been used in this summary, it is used to refer to the respondents drawn from a sample that did not include those people who are within the other two groups (that is, working age claimants of council tax benefit, or in receipt of a discount or exemption of an empty property).

### Summary of results

33. While three surveys were undertaken to reflect the different impact the changes could have on different groups, each survey included a series of questions that were the same. This means it is possible to combine the responses to get an overall view. The overall results broadly show support for the proposal identified as the preferred option by the council in September:

- 71% agree that the protections within the current council tax benefit scheme should be retained.
- 79% think that the proposals to reduce discounts and exemptions are fair.
- 67% agree with the council's preferred option.

- 49% of working age benefit claimants agree with the council's preferred option.

34. Every respondent was also asked if they agreed with other alternatives for covering the shortfall in funding for the new scheme. The table below shows the responses received, split between the different respondent groups:

Proposal	Responses - % in favour of option			
	Overall	Council Tax payers (not in receipt of benefits or discount or exemption)	Working age benefit claimants	People in receipt of a discount or exemption
Preferred option (7.5% reduction in benefit and changes to discounts and exemptions)	67%	82%	49%	24%
30% reduction in benefit for working age claimants	35%	45%	13%	52%
Increase Council Tax to cover the shortfall	23%	22%	20%	41%
Make additional savings from elsewhere	49%	48%	43%	68%

35. The table above illustrates the differences in response from different groups:

- Support for the council's preferred option is highest amongst council tax payers who do not claim council tax benefit or received a discount or exemption.
- People who have a discount or exemption for an empty property are least in support of the preferred option, and instead support the option to make additional savings from elsewhere.
- Working age benefit claimants favour the council's preferred options over the others, but this support is at 49%.

36. Other questions were asked in each of the surveys to gather more detailed responses about the impact and implications of the proposed changes on those people who would be directly affected.

37. Council tax payers and benefit claimants were asked to identify the extent to which they thought the proposals might impact upon different groups. The responses indicate that they believe that the biggest impact of the proposals to reduce benefit by 7.5% would be felt by disabled people and single parents. This response was considered in the impact assessment and dealt with under the proposed scheme at paragraph 51.

38. Amongst council tax payers and benefit claimants, there is a mixed opinion on whether the reduction of benefits will incentivise work – overall 47% think this will incentivise work while 42% believe it won't encourage or could discourage people from finding work.

39. The council tax payers and people in receipt of discounts and exemptions were asked the extent to which they felt the changes proposed to the discount and exemption scheme was fair:

- For tax payers, the change regarded as the most fair was ending the discount on second homes (with 84% thinking it was a fair change). However, charging 125% on long term empty properties was seen to be least fair.
- For those who receive a discount or exemptions, removing the exemption on repossessions is seen as most fair, but the other proposals are all viewed as unfair.

40. Finally, the council tax payer respondents and people in receipt of an exemption or discount were asked if they thought the proposals would encourage empty homes to be brought back into use. Overall, 79% believed that they would. However, this reduced to 37% of those people who own empty properties.

## **INTEGRATED IMPACT ASSESSMENT**

41. The council uses integrated impact assessments to identify potential impacts of implementing new policies, services or projects on; people from different equality strands; health; sustainability and reputational impact.
42. Undertaken an impact assessment is seen as good practice to ensure that any potentially adverse impact can be avoided or mitigated. Impact assessments have been undertaken on both the schemes that are now proposed.
43. The impact assessment for the new scheme of council tax support is included at Appendix A. The impact assessment for the discounts and exemptions scheme is at Appendix B.
44. The impact assessment for the council tax support scheme identified the following actions:
- Deliver the corporate strategy key project “Establish a process to deliver Working Together With Families”
  - Deliver the corporate strategy key project “Implement a joint employment initiative with Runshaw College”
  - Continue welfare reform meetings with partners to monitor and react to the impact of welfare reforms on residents
  - Include an exceptional hardship award within the council tax support scheme.
45. The impact assessment for the discount and exemptions scheme for empty properties identified the following actions:
- Monitor the corporate strategy key measure the number of long term empty properties, and take action is the target is not likely to be achieved.
  - Monitor the reasons given for properties being empty and any issues with ability to pay over the first 12 months, and consider cases where a resident finds it difficult to pay on an individual basis.

## **PROPOSED COUNCIL TAX SUPPORT SCHEME**

46. Taking the consultation, impact assessment and government announcement, the localised scheme of council tax support that is proposed is included as a background paper to this report, with the changes summarised at Appendix C. If approved, this scheme will come into effect from 1 April 2013, and operate for at least 12 months.
47. The scheme is based on the existing council tax benefit scheme. It retains the various safeguards and provisions that are made for disabled people, household with children and consideration of income. Once these calculations have been made, a 7.5% reduction will then be made to the payment for all working-age claimants.
48. It is estimated that this change will raise an additional income of £139,944. This is based on a 50% collection rate, which is the rate estimated for collection from a group of residents who have not previously paid.
49. This estimated collection amount is less than the shortfall that will be created by the 10% reduction in funding.

50. It is proposed that the remaining funding gap could be covered by changes to the exemptions and discount scheme for empty properties, which was also considered by the September Council meeting.

#### Exceptional Hardship Award

51. Within the consultation feedback and in the impact assessment undertaken, it was identified that some groups may be more adversely affected than others (for example, the consultation identified that disabled people and single parents may be significantly affected). As this reduction to working age benefits will reduce the benefit received by some households with a low income, some households may in some circumstances find it extremely difficult to pay.
52. Therefore, an exceptional hardship award has been included within the proposed council tax support scheme. This award would be available for households in a limited number of circumstances, and would provide a mechanism to give support for households. The cost of this award is shared amongst the precepting authorities.
53. A copy of the exceptional hardship policy, which would form part of the overall council tax support scheme, is set out at Appendix D. It should be noted that whilst the policy refers to a hardship fund it is not a separate cost; the award is made and funded through the overall council tax support scheme. It does not make the scheme any more expensive.

#### **PROPOSED DISCOUNT AND EXEMPTIONS SCHEME**

54. The report to Council in September outlined an additional proposal, which was to change the scheme relating to discounts and exemptions for categories of empty properties. This would raise additional revenue, which could be used to meet the expected budget shortfall. In addition, it would help incentivise owners of long term empty properties to bring them back into use.
55. Following the consultation results and the impact assessment, the revised scheme for council tax discounts and exemptions for empty properties is included as a background paper to this report, and summarised at appendix E.
56. The changes proposed are expected to raise an additional £695,646. This is based on a 90% collection rate, which is the rate that is expected for this scheme.

#### **DEBT RECOVERY POLICY**

57. The council's debt recovery policy has been updated to reflect the changes made to the two schemes set out above. The updated policy recognises that the changes may mean that more people may feel unable to pay their council tax, particularly as they have not previously paid. In addition, it recognises that some of the unpaid monies may be a relatively low amount. It therefore introduces some additional steps to encourage payment of outstanding debts.
58. In summary, the approach now includes steps to encourage payment before we move into the recovery stage. This includes a telephone call to discuss issues and make arrangements for payment, and a reminder letter before further action is taken.
59. The updated policy is attached at appendix F.

#### **IMPLEMENTATION FOR 2013/2014**

60. If approved, both the schemes will be implemented from the 1 April 2013. This will not be backdated, but any claimants or properties where there has been a relevant change will be affected from the beginning of 2013/14.
61. The scheme will be reviewed part way through the financial year to determine whether changes need to be made for future years. This review will also need to consider any further changes that may be made by the government to the welfare system or local government financing.
62. The review will also consider the effect that the work planned to support people into employment has had. For example, there are two projects within the Corporate Strategy which should have a direct impact on working age benefits claimants; 'Establish a process to deliver Working Together with Families'; and, 'Implement a joint employment support initiative with Runshaw College'.

### IMPLICATIONS OF REPORT

63. 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

64. The final cost of the scheme to Chorley Council will ultimately depend upon the level of claims made. In other words the number of claimants will ultimately dictate the outcome. The Government expect the number of claimants to fall, but only time will tell if this proves to be the case. In the Local Government Finance Settlement recently announced, the Government announced that the Council would receive £752,000 of grant for the local scheme. This would allow the Council to grant up to £6.6m of support to Chorley residents. The Government has provided other precepting authorities with their own element of the grant (£6.6m – 0.752m) and the final cost will be distributed accordingly.
65. As the grant is cash limited, any support given over and above the £6.6m will have to be funded wholly by Chorley Council and our precepting authorities. As the risk is shared on the basis of the proportion of the total Council tax base, Chorley's element of the total bill represents approximately 12.77%. So for every £100k over the £6.6m, the Council have to find just short of £13k.

### COMMENTS OF THE MONITORING OFFICER

65. The proposed scheme fulfils the statutory requirements by protecting those of pensionable age and having regard to the impact on groups categorised as vulnerable. The proposal is within the scope of the legislation and the consultation exercise is appropriate.

### COMMENTS OF THE HEAD OF POLICY AND COMMUNICATIONS

66. The integrated impact assessments indicate that there are some areas where the proposed changes may have an uncertain impact on groups with a protected characteristic. This should be monitored over the next year as the schemes are implemented, and action taken to mitigate any adverse impact if necessary. The schemes as proposed should provide



adequate protection for people with protected characteristics, as they maintain the protections already developed for council tax benefit.

GARY HALL  
CHIEF EXECUTIVE

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Report to September Council – Localisation of Council Tax Support 2013/14	25 September 2012	Localisation of Council Tax Support 2013/14	<a href="http://cbc-us-mod/documents/s28919/Localisation%20of%20Council%20Tax%20Benefit.pdf">http://cbc-us-mod/documents/s28919/Localisation%20of%20Council%20Tax%20Benefit.pdf</a>
Localising support for council tax – transitional grant scheme	18 October 2012	Website	<a href="http://www.communities.gov.uk/publications/localgovernment/localtransitionalgrant">http://www.communities.gov.uk/publications/localgovernment/localtransitionalgrant</a>
Local council tax support scheme – consultation findings	7 December 2012	Local council tax support scheme – consultation findings	Policy drive
Council Tax Support scheme regulations	20 December 2012	Chorley Borough Council Council Tax Reduction Scheme	Policy drive
Discounts and Exemptions scheme regulations	20 December 2012		Policy drive

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Chris Sinnott / Julie Riding	5337	18 December 2012	Council tax support January report