



# RESOURCES OVERVIEW AND SCRUTINY PANEL

## *Panel Report*

**Public**

**Date of Meeting:** 18th October 2012

**Title:** LOCALISATION SUPPORT OF COUNCIL TAX

**Report of:** The Director of Community Engagement

**Report reference:** CD 50/12

**Summary:** This paper provides an update on the consultation on the draft proposals for a Local Scheme to provide support for Council Tax. The draft scheme is identical to the current Council Tax Benefit scheme but will function as a discount rather than a benefit. Any agreed scheme will need to be approved by the Council by 31<sup>st</sup> January 2013. A verbal update will also be given at the meeting

**Questions for / input required from Scrutiny:** To note the report.

**Recommendations:**

This update on the draft scheme and consultation exercise is noted.

**Contact Officer:** Keith Gerrard

**Ext:** 7350

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

## 1. BACKGROUND INFORMATION

1.1 The previous report CD39/12 was considered by the Executive on Monday 6<sup>th</sup> August 2012 outlining the draft proposals for consultation for a local scheme through which the City Council will administer Support for Council Tax. The key recommendations of the report were:

- Agree the principle of not reducing the current level of reductions given to existing Council Tax Benefit recipients when changing from a Benefit to a Discount.
- Agree Carlisle City Council's LSCT Scheme will be identical to the current Department for Work and Pension's Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended), to ensure it becomes a legal discount rather than a Benefit.
- Agree the principles of funding the scheme, in part or full, through the application of Council Tax Technical Reforms and other funding streams.
- Be aware that the full LSCT S13A policy and the decisions regarding implementation of Council Tax Technical Reforms and other funding streams will need to be approved by Council on 8<sup>th</sup> January 2013.
- Approve the principle of a draft policy (statement of intent), to include to consultees, as part of the formal consultation process.
- Consideration to be given to the financial implications of the local scheme during the first operational year and the position reviewed for subsequent years.

1.2 Following consideration, the recommendations were approved and the consultation process for the draft scheme was initiated. Key steps taken included:

- Devising and issuing customer questionnaire forms to the 9,467 current council tax benefit recipients.
- Issuing press releases to publicise the draft scheme proposals to all residents and relevant interested groups.
- Introducing website guidance on the proposed changes giving links to access the draft scheme provisions and an on-line version of the survey questionnaire.
- Scheme guidance information provided for all Members to raise awareness of the draft scheme and advise on frequently asked questions.

## **2. THE CONSULTATION PROCESS**

- 2.1 The consultation period was from 3<sup>rd</sup> September 2012 to 7<sup>th</sup> October 2012 inclusive and the responses received are currently being analysed. The key question was to seek views on the intention to maintain support at the same levels as currently provided through Council Tax Benefit. Options for potential scheme changes were also included to gauge opinion for any future proposals in subsequent years.
- 2.2 The findings from the consultation will be provided in a future update and used to recommend the provisions of the scheme for approval.

**Impact assessments**

**Does the change have an impact on the following?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
Does the policy/service impact on the following?		
Age	<b>No</b>	
Disability	<b>No</b>	
Race	<b>No</b>	
Gender/ Transgender	<b>No</b>	
Sexual Orientation	<b>No</b>	
Religion or belief	<b>No</b>	
Human Rights	<b>No</b>	
Health inequalities	<b>No</b>	
Rurality	<b>No</b>	

**If you consider there is either no impact or no negative impact, please give reasons:**

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**If an equality Impact is necessary, please contact the P&P team.**

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: COMMUNITIES & HOUSING

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Date of Meeting: 6<sup>th</sup> August 2012

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Public

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Key Decision: Yes

Recorded in Forward Plan:

Yes

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Inside Policy Framework

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**Title:** Localisation Support for Council Tax  
**Report of:** The Director of Community Engagement  
**Report reference:** CD 39/12

### Summary:

This paper sets out draft proposals for consultation for a local scheme through which the City Council will to administer Support for Council tax. The principle of this policy (statement of intent) will be included in as part of the formal consultation process.

The draft scheme is identical to the current Council Tax Benefit Scheme but will function as a legal discount rather than a Benefit.

Any agreed scheme will need to be approved by Council on 8 January 2013 for implementation in 2013/14 and will be reviewed prior to implementation in subsequent years.

### Recommendations:

Members are asked to agree the following recommendations:

- Agree the principle of not reducing the current level of reductions given to existing Council Tax Benefit recipients when changing from a Benefit to a Discount.
- Agree Carlisle City Council's LSCT Scheme will be identical to the current Department for Work and Pension's Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended), to ensure it becomes a legal discount rather than a Benefit.

- Agree the principles of funding the scheme, in part or full, through the application of Council Tax Technical Reforms and other funding streams.
- Be aware that the full LSCT S13A policy and the decisions regarding implementation of Council Tax Technical Reforms and other funding streams will need to be approved by Council on 8<sup>th</sup> January 2013.
- Approve the principle of a draft policy (statement of intent), to include to consultees, as part of the formal consultation process.
- Consideration to be given to the financial implications of the local scheme during the first operational year and the position reviewed for subsequent years.

**Contact Officer:** Keith Gerrard

**Ext:** 7350

## 1. BACKGROUND INFORMATION AND OPTIONS

1.1 JMT received papers on the Localised Support for Council Tax on 29<sup>th</sup> March 2012 and 7<sup>th</sup> June 2012. The key messages were:

- Council Tax Benefit is to be abolished and replaced by Localised Support for Council Tax (LSCT) with effect from 1<sup>st</sup> April 2013.
- Local Councils have been asked to develop their own LSCT schemes.
- Government grant funding for LSCT will be cut by 10% and will become a fixed, as opposed to demand-led, budget.
- <sup>1</sup>Pensioners 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.
- Any new scheme should encourage people to work and, in particular, should not act as a disincentive to working.

A separate briefing note on Council Tax Benefit and Localised Support for Council Tax is attached as appendix 1.

1.2 The Welfare Reform Act will abolish Council Tax Benefit (CTB) from 1<sup>st</sup> April 2013

1.2.1 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.

1.2.2 The Government is making these changes 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.

Full details of the proposals can be found on the DCLG's web site

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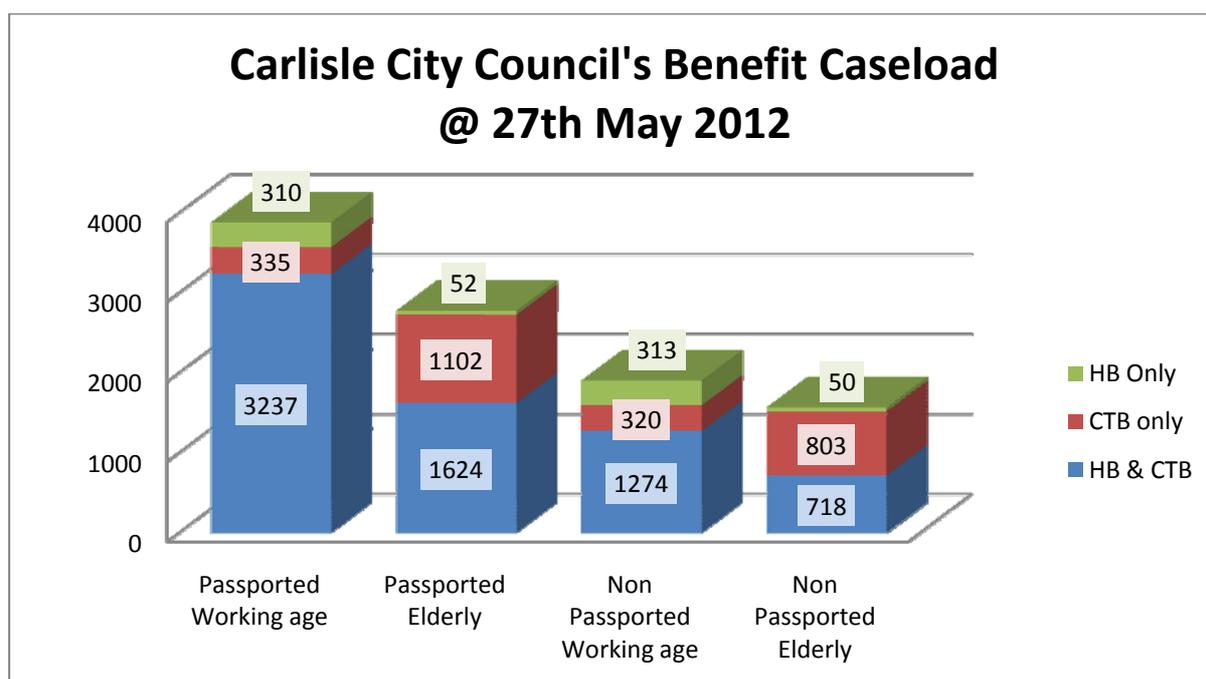
<sup>1</sup> Pensioners are those people who have reached the age to enable them to attain state pension credit.

1.2.3 Whilst the draft regulations have not been issued, the following documents have been published, mid to late May 2012, by the Department of Communities and Local Government:

- 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 12<sup>th</sup> 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.*

### 1.3 Council Tax Benefit

1.3.1 Carlisle City Council's Council Tax Benefit Claimant caseload was 10,138 at 27<sup>th</sup> May 2012 with Council Tax Benefit recipients totalling 9, 413. The breakdown is shown below:



1.3.2 Working Age passported claimants are those in receipt of Income Support, Job Seekers' Allowance (Income Based) and Employment Support Allowance (Income Related) who are entitled to maximum Council Tax Benefit. Passported elderly claimants are those in receipt of Pension Guarantee Credit who are also entitled to maximum Council Tax Benefit.

- 1.3.3 45% 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 55% will be directly affected by the design of LSCT.
- 1.3.4 The Council pays out £7.4m in Council Tax Benefit and the vast majority is currently reimbursed through claiming Government subsidy.

## **1.4 Considerations**

- 1.4.1 The cost of helping those on low incomes to meet their Council Tax liability becomes a local decision and falls on the Council Tax precepting authorities (County Council, District Council, Police Authority and Parish Councils).
- 1.4.2 Government financial support for precepting authorities to pay LSCT has been switched from an annually managed expenditure (AME) grant to a departmental expenditure limited (DEL) grant, resulting in a fixed budget: equivalent to a 10% reduction in existing expenditure, despite Council Tax Benefit being one of the most under-claimed national benefits and the caseload slowly rising.
- 1.4.3 The timescale for implementation is, with the exception of DCLG, 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.
- 1.4.4 If precepting authorities decide to bear some or all of the cost of the DCLG's funding reductions, they will be funding a new burden at a time when budgets are coming under increasing pressure.
- 1.4.5 It is not clear what obligations there will be to design work incentives into a LSCT scheme and the recent DCLG guidance is not particularly helpful. 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.
- 1.4.6 The Council is required to have due regard to its 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.

1.4.7 Counter-fraud work is likely to be problematic as DWP create/develop their Single Fraud Investigation Service (SFIS) that will not cover LSCT or discount fraud. Local Councils will be responsible for ensuring counter fraud responsibilities are met.

1.4.8 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.

## 1.5 Timetable for Introducing LSCT

1.5.1 The headline timetable for introducing LSCT is as follows:

<b>EVENT:</b>	<b>DATE:</b>	<b>SCHEME:</b>
Corporate LSCT Group Meeting	25 <sup>th</sup> June 2012	Draft LSCT Scheme
Senior Management Team (SMT) considers report for Forward Plan	26 <sup>th</sup> June 2012	
Joint Management Team (JMT)	5 <sup>th</sup> July 2012	
Informal Consultation with County Council, Police Authority & Parishes	July 2012	
Executive	6 <sup>th</sup> August 2012	
Period of Formal Consultation with Claimants, Preceptors, Interest	August / September 2012	

Groups, Landlords & Interested Stakeholders		
Community Overview and Scrutiny Panel (COSP)	(11 <sup>th</sup> October 2012?) 22 <sup>nd</sup> November 2012	Final Scheme Proposals
Resources Overview and Scrutiny Panel (ROSP)	(18 <sup>th</sup> October 2012?) 4 <sup>th</sup> December 2012	
Further consideration by Executive	(19 <sup>th</sup> November 2012?) 13 <sup>th</sup> or 17 <sup>th</sup> December 2012	
Full Council	8 <sup>th</sup> January 2013	*LSCT Scheme Approval
Full Council (special)	5 <sup>th</sup> February 2013	Tax Setting
Carlisle LSCT Effective Date	1 <sup>st</sup> April 2013	'Go Live'

\*Must be before 31<sup>st</sup> January 2013

1.5.2 There will be considerable work in each of the above steps and each will be a mini-project in its own right.

1.5.3 Finalising a local scheme – Even if largely mirroring the existing Council Tax Benefit Scheme, there will be a considerable workload in:

- Writing a full S13A discount policy to cover LSCT & Technical Reforms to Council Tax that is robust enough to withstand appeals and legal challenges.
- Consultation – ensuring legal requirements are covered in terms of consulting with all persons who might have a reasonable expectation to be consulted. Providing sufficient methods of consultation to satisfy accessibility issues e.g. on-line, direct post, public information roadshows etc.

The DCLG's Statement of Intent notes that the Bill requires that consultation takes place with the major preceptors (Police and County) before the Billing Authority decides on its draft scheme. Therefore, Cumbria Police Authority and Cumbria County Council will have to be consulted on this report.

- Software Implementation – design, delivery, testing, training and suitability for producing appropriately discounted Council Tax bills in February 2013.

- Data protection / Information Sharing – regulations and procedures need to be in place to deal with a ‘means-tested’ Benefit turning into a Council Tax Discount.
- Implementation – staff training, administration forms, procedures, partner agreements, data-sharing, counter fraud measures, anti-poverty measures etc.
- Publicity, advice, guidance and communication..

1.5.4 The project may require additional resources to complete detailed and bulk work but efficiencies will be gained through project managing three individual but similar Schemes (Allerdale, Copeland & Carlisle) using shared service resources.

## 1.6 The LSCT Scheme Options

1.6.1 In the short term, due to the challenging timescale, most Councils are likely to develop a LSCT scheme that either;

- **(Option One)** seeks to 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)** passes the cost (approximately 10 to 12.5%) of the reduced grant directly onto claimants by eroding the existing reductions for working age claimants; or
- **(Option Three)** sits somewhere between the previous two options.

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

1.6.2 **Option One** (replicate existing Benefit scheme)

### 1.6.3 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. The shape of the scheme is outlined in Appendix 2 attached.

### 1.6.4 Advantages

- To design a local scheme from a blank sheet of paper is a mammoth task and councils (especially districts) do not have the skills of parliamentary draftsmen. 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 overleaf).

Percentage of Current Expenditure	Total Expenditure	Working Age Expenditure	Elderly Expenditure	Increase in Council Tax Liability	
100%	£7,526,494.04	£4,135,925.04	£3,390,569.00	WA	E
90%	£6,773,844.64	£3,383,275.64	£3,390,569.00	18.2%	0%

The average annual amount of Benefit, for a working age claimant, would drop from £789.60 to £645.89 if the 10% reduction in funding was passed on to the claimants.

If, as currently indicated, the reduction is nearer 13.4% than 10%, the figures would look as follows:

Percentage of Current Expenditure	Total Expenditure	Working Age Expenditure	Elderly Expenditure	Increase in Council Tax Liability	
				WA	E
100%	£7,526,494.04	£4,135,925.04	£3,390,569.00	WA	E
86.6%	£6,517,943.84	£3,127,374.84	£3,390,569.00	24.39%	0%

The average annual amount of Benefit, for a working age claimant, would drop from £789.60 to £597.02 if the 13.4% reduction in funding was passed on to the claimants.

These figures compare to a national average impact on working age claimants, of 16%. However, the figures are higher for Carlisle 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.'*

#### 1.6.5 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.

- For simplicity, parish and town councils are ignored in the worked examples.
- Based on 2012/13 figures, the impact on the major precepting authorities, in relation to Carlisle City and surrounding district, would be as follows:

	<b>Band D</b>	<b>% Share of Council Tax</b>	<b>Share of CTB Grant</b>	<b>Indicative Grant</b>	<b>Difference Reduction</b>	<b>Difference %</b>
Cumbria County	£1,161.50	74.7%	£5,480,034	£4,743,757	-£736,277	13.44%
Cumbria Police	£200.79	12.9%	£947,340	£820,059	-£127,281	13.44%
Carlisle City	£193.43	12.4%	£912,615	£790,000	-£122,615	13.44%
Total	£1,555.72	100.0%	£7,339,989	£6,353,816	-£986,173	

## 1.7 **Option Two** (reduce existing Benefit entitlement to claimants)

### 1.7.1 The Design of the Scheme

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

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

- Restrict benefit liability, used within the calculation, to a maximum of Council Tax Band D (currently Band E). However, 92% of the properties within Carlisle and District are Band D or below so the impact would be minimal, would probably fall on the largest yet poorest families and could be against local anti-poverty and child poverty policies.
- Reduce or remove some of the income disregards e.g. child benefit, child, child maintenance 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).

Many of these ‘tweaks’ or 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.

One sample, detailed breakdown of the Council Tax benefit caseload and expenditure, as @ 21<sup>st</sup> June 2012 is included for reference.

<b>Groups Description</b>	<b>Group</b>	<b>Count</b>	<b>Current Expenditure</b>
Elderly - Non-Passported - Family Premium	58	3	£2,973.63
Elderly - Non-Passported - Family Premium - 1 Child	56	8	£7,052.18
Elderly - Non-Passported - Lone Parent Child Under 5	44	1	£936.61
Elderly - Non-Passported - Other	62	1177	£747,612.62
Elderly - Non-Passported - Severe Disability	38	214	£155,058.82
Elderly - Non-Passported - War Pensioners	36	17	£12,648.21
Elderly - Non-Passported - Working	60	60	£39,749.13
Elderly - Passported - Child Under 5	18	1	£1,034.30
Elderly - Passported - Family Premium	30	8	£7,249.71
Elderly - Passported - Family Premium - 1 Child	28	16	£16,573.06
Elderly - Passported - Family Premium - 2 Child	26	3	£2,845.12
Elderly - Passported - Other	34	2355	£2,105,220.08
Elderly - Passported - Severe Disability	10	341	£289,482.24
Elderly - Passported - Working	32	1	£775.72
Working Age - Non-Passported - Child Under 5	45	146	£115,535.33
Working Age - Non-Passported - Disability	39	264	£195,234.84
Working Age - Non-Passported - Disabled Child Premium	41	31	£18,628.99
Working Age - Non-Passported - Family Premium	57	38	£21,819.08

<b>Groups Description</b>	<b>Group</b>	<b>Count</b>	<b>Current Expenditure</b>
Working Age - Non-Passported - Family Premium - 1 Child	55	251	£137,950.15
Working Age - Non-Passported - Family Premium - 2 Child	53	144	£91,607.80
Working Age - Non-Passported - Family Premium - 3 Child	51	37	£30,467.35
Working Age - Non-Passported - Family Premium - 4 Child	49	8	£7,692.63
Working Age - Non-Passported - Family Premium - 5 and Above	47	2	£1,646.19
Working Age - Non-Passported - Lone Parent Child Under 5	43	188	£99,418.25
Working Age - Non-Passported - Other	61	263	£178,012.46
Working Age - Non-Passported - Severe Disability	37	78	£60,109.12
Working Age - Non-Passported - War Pensioners	35	11	£7,689.01
Working Age - Non-Passported - Working	59	208	£111,776.89
Working Age - Passported - Child Under 5	17	142	£152,255.88
Working Age - Passported - Disability	11	282	£272,626.10
Working Age - Passported - Disabled Child Premium	13	50	£44,853.05
Working Age - Passported - Family Premium	29	78	£71,297.94
Working Age - Passported - Family Premium - 1 Child	27	342	£297,908.72
Working Age - Passported - Family Premium - 2 Child	25	195	£170,840.38
Working Age - Passported - Family Premium - 3 Child	23	73	£64,182.35
Working Age - Passported - Family Premium - 4 Child	21	17	£15,883.05
Working Age - Passported - Family Premium - 5 and Above	19	2	£1,982.42
Working Age - Passported - Lone Parent Child Under 5	15	502	£410,134.60
Working Age - Passported - Other	33	1589	£1,309,805.33
Working Age - Passported - Severe Disability	9	280	£226,757.37
Working Age - Passported - Working	31	11	£9,856.62
<b>Grand Total</b>		<b>9437</b>	<b>£7,515,183.33</b>

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.

### 1.7.2 Financial Impact

- Dependant on how the Council decides to apply the reduction in funding and entitlement.

### 1.8 **Option Three** (hybrid of options one and two i.e. not passing on full cost of reduction to existing claimants)

Option three is a hybrid of Options one and two but does not realise the full advantages of either scheme and picks up an element of the combined disadvantages. Therefore option three is not being explored further at this time.

#### 1.8.1 Members are asked to agree the principle of not reducing the current level of reductions, given to existing Council Tax Benefit recipients, when changing from a Benefit to a Discount.

#### 1.8.2 Members are asked to agree Carlisle City Council's LSCT Scheme to be identical to the current Department for Work and Pension's Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended), to ensure it becomes a legal discount rather than a Benefit. This means recommending option 1 as the proposed approach to designing Carlisle City Council's LSCT scheme.

## 1.9 Funding Implications

#### 1.9.1 It may be possible to raise additional Council Tax income through other means.

#### 1.9.2 Single Person Discount (SPD) (see Section 10)

#### 1.9.3 New Council Tax Technical Reforms (see Section 11)

#### 1.9.4 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). It is clearly not feasible for the DCLG to pay the 10,000 national parish and town councils in the same manner.

#### 1.9.5 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.

- 1.9.6 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).
- 1.9.7 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 Carlisle District 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.
- 1.9.8 The Cumbria Association of Local Councils (CALC) will be a key consultee on this issue.
- 1.9.9 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 Carlisle's share of the cost of its Revenues and Benefits software supplier designing and providing the new software.
- 1.9.10 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.
- 1.9.11 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.
- 1.9.12 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.

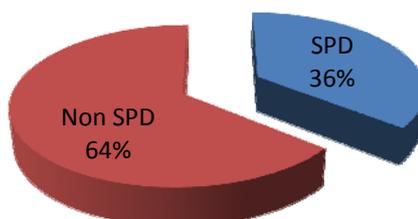
## 1.10 Single Person Discounts

1.10.1 Despite growing pressure from Local Councils during the LSCT consultation, the Government stated it had no plans to include Single Person Discount (SPD) within the Council Tax Technical Reforms. However, it would be prudent for local councils to ensure SPD is being properly claimed. Single adults can claim a non-means-tested 25% discount on Council Tax and the number of single adult households, within Carlisle and Surrounding District, is relatively high. The Cumbrian districts are seeking to set up a jointly-funded exercise with the County Council to review existing discounts to ensure they are all still valid. It is difficult to predict what extra income such an exercise will bring through cancelled SPDs, but previous experience has shown that such exercises are worth doing.

1.10.2 The single person discount data, as @ 21<sup>st</sup> June 2012, is as follows:

Category	Band A	Band B	Band C	Band D	Ban d E	Ban d F	Ban d G	Ban d H	Totals
Single	10,529	3,649	2,021	1,056	393	151	39	0	17,838
Single & Disregarded	0	0	0	0	0	0	0	0	0
Single & Disabled	17	11	5	3	1	1	0	0	38
Single, Disregarded & Disabled	0	0	0	0	0	0	0	0	0
<b>Totals:</b>	<b>10,546</b>	<b>3,660</b>	<b>2,026</b>	<b>1,059</b>	<b>394</b>	<b>152</b>	<b>39</b>	<b>0</b>	<b>17,876</b>

The property base is 49, 960 so the percentage of Single Person Discount households is shown below:



1.10.3 The current Single Person Discount award amounts to £5,286,853. Any reduction in Single Person Discount will reduce existing discount provision and increase the tax base. This Benefits all precepting authorities with the preceptors benefitting in proportion to their financial levy.

## 1.11 **Technical Reforms to Council Tax**

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

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

1.11.3 Currently, that loss will be shared by Council Tax preceptors with the County Council bearing the largest share (estimated at £3.2m in year 1) and the City Council losing an estimated £120k. In summary, the City, County and Police would lose 13.4% of their grant and the local parishes would lose 1.8% of their parish precept income.

1.11.4 In terms of public perception, there are advantages to making any Council Tax technical reform changes, from April 2013, to align with the reduction in Government funding, so it's impact is synonymous with the new scheme.

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

1.11.6 Abolition of 'Class A' exemptions - currently applied to vacant, unoccupied and unfurnished properties that require or are undergoing major repair works or structural alterations to render them habitable. Applies up to a maximum period of 12 months

1.11.7 Abolition of 'Class C' exemptions – currently applied to unoccupied and unfurnished property either following occupation or following the service of a completion notice on a new build.

1.11.8 Supplement to S11a of The Local Government Finance Act 1992 (as amended) through Clause 10 of the Local Government Finance Bill 2010-12 as follows:

- Second Homes – Can reduce the discount further, from the minimum of 10%, to zero: creating up to 100% charge.
- Long Term Empty Properties – Can levy a premium, of up to 50%, for dwellings that have been empty and unfurnished for up to 2 years: creating up to 150% charge.

1.11.9 Indicative numbers and values for Carlisle City Council, based on data extracted from the live database on 13<sup>th</sup> June 2012, representing the period 1<sup>st</sup> April 2011 to 30<sup>th</sup> April 2012, are as follows:

Category:	Reductions granted for the year	No. of Accounts	No. of Properties
Class A Exemptions	£176,923.37	398	364
Class C Exemptions	£1,043,567.62	6,298	4,708
Second Homes	£54,673.34	1,601	1,429
Long Term Empties			
Totals	£1,275,164.33	8,295	6,501

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

1.11.10 Members are asked to agree the principals of funding the scheme, in part or full, through the application of new Council Tax technical reforms and/or other funding streams.

1.11.11 Members are also asked to be aware that the full S13A Policy and the decisions regarding the implementation of Council Tax technical reforms and other funding streams will need to be approved by Council on 8<sup>th</sup> January 2012.

## 1.12 **Risks**

### 1.12.1 The Key risks are:

- The challenging timetable and lack of significant additional resource leading to a poorly designed and implemented local scheme. This strengthens the case for proposing to adopt the existing scheme;
- Risk of the software not being available in time or not being able to deliver the LSCT design. Further strengthens the case for proposing to adopt the existing scheme and the Partnership's Services Performance Manager sits on the Capita LSCT Design Group.
- Risk of the consultation not including all parties 'who have a reasonable expectation' to be consulted or not consulting on the appropriate issues.

Members are asked to approve the principle of a draft policy (statement of intent), to include for consultees, as part of the formal consultation process (see sample at appendix 4).

- Risk of judicial review due to equalities impact or insufficient consideration of statutory duties regarding claimants classed as vulnerable. Detailed Impact Assessments will be required and also strengthens the case for proposing to adopt the existing scheme;
- It is difficult to accurately predict the net cost of the differing options as trend analysis is affected by the ongoing timetable of welfare reforms; and
- If the deficit reduction position worsens, the next Government Comprehensive Spending Review (CSR) may well reduce the LSCT grant from 2015-16 onwards.

## 2 **Conclusion**

2.1.1 These figures are based on current Council Tax Benefit expenditure, indicative funding proposals (subject to consultation) and discount trends over the financial year 2011/12.

2.1.2 The LSCT will have a high political profile and is likely to be controversial: probably subject to legal challenge. Full Council Approval will be required, to adopt the Local Scheme, before the deadline of 31<sup>st</sup> January 2013 otherwise the Government will impose a 'default scheme' which, whilst similar to the existing scheme, may include other financial disincentives and create reputational risk through inability or unwillingness to deliver a local scheme.

- 2.1.3 Consideration will need to be given to the financial implications of the local scheme based on entitlement determined during the first year 2013/14 and the position will need to be reviewed for future years.

### **3 CONSULTATION**

3.1 Consultation to Date.

3.2 Consultation proposed.

### **4 RECOMMENDATIONS**

Members are asked to agree the following recommendations:

- a) Agree the principle of not reducing the current level of reductions given to existing Council Tax Benefit recipients when changing from a Benefit to a Discount.
- b) Agree Carlisle City Council's LSCT Scheme will be identical to the current Department for Work and Pension's Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended), to ensure it becomes a legal discount rather than a Benefit.
- c) Agree the principles of funding the scheme, in part or full, through the application of Council Tax Technical Reforms and other funding streams.
- d) Be aware that the full LSCT S13A policy and the decisions regarding implementation of Council Tax Technical Reforms and other funding streams will need to be approved by Council on 8<sup>th</sup> January 2013.
- e) Approve the principle of a draft policy (statement of intent), to include to consultees, as part of the formal consultation process.
- f) Consideration to be given to the financial implications of the local scheme during the first operational year and the position reviewed for subsequent years.

### **5 REASONS FOR RECOMMENDATIONS**

The need to provide Local Support for Council Tax is a requirement of the Local Government Finance Bill. The recommendations are for a local support scheme which will ensure that those most in need continue to receive assistance from April 2013.

## 6 IMPLICATIONS

- Staffing/Resources – Additional workload arising during implementation. A Project Manager has been appointed and it is anticipated that resource implications will be met from implementation funding
- Financial – The introduction of a local Council Tax support (discount) scheme on a similar basis to the existing benefit scheme will see a 10% reduction in funding from Central Government, which, based upon indicative figures supplied, equates to approximately £127,000 per annum. Decisions on how this can be funded will be subject to further reports to the Executive as part of the 2013/14 budget process
- Legal – The changes detailed within the Report are being implemented via the Welfare Reform Act 2012 and ancillary regulations and guidance. Given that the matter will have financial implications for the Authority, Council may wish to include the Localisation of Council Tax Support Scheme within the definition of documents included under the umbrella of 'Budget' in its Budget and Policy Framework (Article 4 of the Constitution). This would mean that the setting of the Scheme would be reserved to Council.
- Corporate – None
- Risk Management – Project risks to be monitored by the Project Manager and mitigating actions taken as required
- Environmental – None
- Crime and Disorder – None
- Impact on Customers – Proposed local scheme will maintain provision of support minimising impact.
- Equality and Diversity – Local scheme will reflect existing provisions of Council Tax Benefit to maintain equality and diversity requirements.

**Impact assessments**

**Does the change have an impact on the following?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
Does the policy/service impact on the following?		
Age	<b>Yes</b>	<b>Positive</b>
Disability	<b>Yes</b>	<b>Positive</b>
Race	<b>Yes</b>	
Gender/ Transgender	<b>Yes</b>	
Sexual Orientation	<b>Yes</b>	
Religion or belief	<b>Yes</b>	
Human Rights	<b>Yes</b>	
Health inequalities	<b>Yes</b>	
Rurality	<b>Yes</b>	

**If you consider there is either no impact or no negative impact, please give reasons:**

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**If an equality Impact is necessary, please contact the P&P team.**

## **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 1<sup>st</sup> 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, 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) <sup>2</sup>benefit 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.

Second Adult Rebate 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. Claims 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

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

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

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

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

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

### **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. Carlisle City Council). This means, as Billing Authority, Carlisle sets LSCT scheme that covers the district. Whilst the County Council and Police Authority will be financially affected by the scheme that Carlisle adopts and will be statutory consultees, the decision on the scheme is Carlisle'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.

There will be three main working age classes under the suggested scheme, each with a number of qualifying criteria.

### **Class 1**

The main criteria for Class 1 are:

- the applicant must be under the qualifying age for state pension credit and if they have a partner the same must be true for the partner (with some exceptions);
- the applicant must not have capital above £16,000 (for couples the combined figure must not exceed £16,000);
- The applicant's income (or combined income for couples) for the period in question must be less than their applicable amount. The applicable amount (likely to be renamed 'living allowance') will be defined in regulations and is the Government's assessment of the amount the claimant needs to live on. It takes into account the number of people in the household and any additional requirements for disabilities.

If an applicant meets the criteria for Class 1 they will qualify for 100% reduction in their Council Tax liability, although the reduction may be adjusted if there are non-dependants in the household.

An applicant in receipt of Income Support, Jobseekers' Allowance (Income Based) or Employment and Support Allowance (Income Related) will have both income and capital counted as zero.

### **Class 2**

The main criteria for Class 2 are:

- the applicant must be under the qualifying age for state pension credit and if they have a partner the same must be true for the partner (with some exceptions);
- the applicant must not have capital above £16,000 (for couples the combined figure must not exceed £16,000);
- The Council Tax liability is higher than 20% of the difference between income (as calculated for Class 1) and the appropriate applicable amount.

If an applicant meets the criteria for Class 2, their Council Tax reduction will be less than 100%. A worked example follows:

### Stage 1 – Calculating Weekly Excess Income

	<u>£</u>	<u>£</u>
<sup>3</sup> <b><u>Applicable Amount:</u></b>		
Single person aged over 25	71.00	
Add    Family Premium	17.40	
Add    Dependants Allowance	<u>194.97</u>	
Equals    Applicable Amount		283.37
Less Income		
<b><u>Actual Income:</u></b>		
Child Benefit	47.10	
Add    Child Tax Credit	165.12	
Add    Working Tax Credit	74.84	
Add    Earnings	<u>101.00</u>	
Equals    Actual Income		<u>388.06</u>
		104.69
Less    Disregarded Income		<u>89.20</u>
Equals <b>Excess Weekly Income</b>		<u>15.49</u>

In calculating excess income, <sup>4</sup>capital of under £6,000 is ignored, capital in excess of £16,000 disqualifies the claimant from having any entitlement to Council Tax Benefit and capital between £6,000 and £16,000 is calculated as £1 of weekly income for every £250 or residual part of £250.

In the trial calculation, no income from capital has been taken into account.

### Stage 2 – Calculating Weekly Council Tax Benefit Entitlement

	<u>£</u>	<u>£</u>
Council Tax liability		14.917671
Less 20% of excess income (see stage 1 above)		<u>3.098000</u>
Council Tax Benefit Entitlement		<u>11.819671</u>

Classes 1 and 2 are effectively the current Council Tax Benefit scheme for working age applicants. The means test for both classes will need to be defined in Council Tax Discount Regulations along with the applicable amount, income disregards, tariff income, non-dependant deductions etc.

<sup>3</sup> The applicable amount is the figure used in calculating Housing Benefit and Council Tax Benefit to reflect the basic living needs of the claimant and his/her household.

<sup>4</sup> Capital is a term used to refer to assets e.g. cash, bank/building society balances, shares, property etc.

### **Class 3**

The main criteria for Class 3 are:

- The applicant must be under the qualifying age for state pension credit and if they have a partner the same must be true for the partner (with some exceptions). The partner must also be disregarded for Council Tax purposes, for example, a full-time student;
- There must be at least one second adult living with the applicant who is not a partner, does not pay rent and is on a prescribed low income or benefit.

Class 3 replicates the current second adult rebate scheme and it is the income of the 'second adult' that determines what level of reduction is awarded. The reduction awarded can be 7.5%, 15%, 25%, or, if all adults are in receipt of certain benefits, 100%.

### **Administration**

Regulations will continue to prescribe the dates from which claims start, backdating provisions, dates from which prescribed change of circumstances take effect and notification of decisions.

## Briefing Note

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

#### Second Homes

The government will allow billing authorities to levy up to the full council tax on second homes for 2013/14. Currently the rules mean that the majority of second homes will receive a 10% discount (with some exceptions e.g. a pitch occupied by a caravan, a mooring occupied by a boat or a dwelling which is unoccupied due to job-related occupation). There will be no duty to inform the billing authority if a property is used as a second home and, therefore, if the authority requires this information they may need to introduce a process for information gathering and classification status.

Authorities could offer a discount equivalent to the single person discount (i.e. 25%) to avoid a significant amount of work on deciding sole or main residence claims when second home avoidance tactics appear as a result of reducing the discount to zero. However, this would have the effect of reducing the tax base / revenue to the precepting authorities whereas a zero discount would increase it.

#### Empty Dwellings under going major repair

The current exemption for properties in this category would be 'Class A' exemption which is an unoccupied dwelling which requires or is undergoing structural alteration or major repair, for up to 12 months. After 12 months, the exemption class ceases and a full charge is applicable.

The technical response summary states that this does not fit in with the current broader pursuit of localism and will be replacing this exemption with a discount which Billing authorities have the discretion to set at 100 % or any % lower which seems reasonable: having regard for local circumstances.

An enabling measure has been included as Clause 9 of the Bill which will amend section 11A of the Local Government Finance Act 1992. This will then allow a class of dwelling that the Authority can determine a discount for of between 0 % and 100 %.

It is important to note there is no change to the period for which this discount will be awarded so it will remain at one year or as long as it continues to be undergoing major repair (whichever is less). After this time the discount will be set by the authority at a discretionary amount between 0 % and 50 %

#### Vacant dwellings

Currently, dwellings which are empty and unfurnished for up to 6 months are exempt from Council tax after which time a full charge may be made. This is called a 'Class C' exemption

The consultation paper states that it is the government intention to replace this exemption with a discount and that the billing authority will have the discretion to set it at between 0 and 100 % for any dwellings that fall into the old definition of 'Class C'.

## **Briefing Note**

### **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, the following is a comment from Eric Pickles in the Telegraph during May 2012

The Communities Secretary, Eric Pickles, said it was "fundamentally unfair" for households to be charged twice by paying council tax on their homes as well as the annexes.

## Briefing Note

“We are keen to remove tax and other regulatory obstacles to families having a live-in annex for immediate relations,” he said. “We should support home owners who want to improve their properties and standard of living. These reforms should also play a role in increasing the housing supply.

This document is a draft Localised Support for Council Tax Scheme set out under the proposed section 13A (1) (a) of the Local Government Finance Act.

This scheme, referred to as Localised Support for Council Tax (LSCT) but also known as Council Tax Reduction Scheme (CTRS), is set out as a number of proposals that are dependent on:

1. The outcome of a consultation on this scheme;
2. The passing of the Local Government Finance Bill and subsequent secondary legislation;
3. The bringing into force of the Welfare Reform Act 2012 and any secondary legislation.

In these proposals ‘the new scheme’ means the proposed Localised Support for Council Tax Scheme (LSCT) or Council Tax Reduction Scheme (CTRS).

In these proposals ‘the current scheme’ means the existing council tax benefit scheme (CTB).

### Class of persons

This draft scheme sets out proposed rules for working age claimants. Regulations will prescribe a scheme for claimants of state pension credit age and will prescribe certain classes of persons who are not eligible to claim LSCT.

It is proposed that eligibility for LSCT be determined by reference to the income and capital of the claimant and any partner; and by the income capital and number of non-dependants in the household.

It is proposed that eligibility under the new scheme is defined by the terms of the existing council tax benefit scheme as set out in the Social Security Contributions and Benefits Act 1992, the Social Security Administration Act 1992, the Council Tax Benefit Regulations 2006 and the Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001. These regulations set out how council tax benefit is claimed, how it is calculated and how it is paid. This draft scheme proposes that the principals and methods set out in those regulations be used to determine LSCT, except where amendments are set out in this draft scheme or by statute under the Local Government Finance Act and accompanying legislation.

### Class of reduction

It is proposed that LSCT be calculated as a means tested discount, defined by the terms of the existing council tax benefit scheme except as identified below:

This draft scheme proposes that no maximum figure be placed on the amount of council tax that can be considered eligible for LSCT.

## Briefing Note

Council tax benefit is means tested with a taper as per sub-section (5) (c) (ii) of section 131 of the Social Security Contributions and Benefits Act 1992. This taper is set as 2 6/7 per cent per day, which is equivalent to 20 per cent per week. This draft scheme proposes to leave the taper at 20 per cent.

This draft scheme proposes to keep the current system of making deductions from the eligible council tax for each non-dependant person in the household. It proposes that the categories of non-dependant are set out as they are in the council tax benefit regulations at the date this scheme is created. It proposes that the income brackets may be altered in line with the general uprating arrangements in the scheme. It proposes that the amounts of deduction may be increased by an amount to be determined.

This draft scheme proposes that the earnings disregards applied to all claims with earned income remain unaffected.

This draft scheme proposes that the maximum amount of capital that a claimant may hold before becoming ineligible for LSCT will be set at £16,000.

It is also proposed that the limit at which capital is disregarded in the calculation of capital tariff income is set at a rate between £6,000 and £16,000.

Consideration will be given as to how to determine income from benefits established under the Welfare Reform Act 2012, such as universal credit and personal independence payments, when regulations have been issued setting out the method of calculation for these benefits.

It is proposed that the treatment of income and capital set out in schedules 3, 4 and 5 of the CTB regulations (2006) remain as currently documented

It is proposed that the maximum period to which a claim can be backdated remain as a period of six months.

This draft scheme proposes that an alternative council tax benefit (second adult rebate) is determined in any claim for LSCT. It may not be claimed directly and it will be awarded through a 'better buy' calculation.

## Applications

An application will be required for all new claims from the 1st April 2013. An appropriate means of application will be decided by the authority and may be revised as required.

Statutory regulations are intended to define how claimants currently in receipt of council tax benefit will transition onto the new scheme. This statutory method will be used in the new scheme.

A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of

**Briefing Note**

the claimant to fulfil any request during a review of their award may result in the termination of that award.

**General administration of the scheme**

Apart from where statutorily required, advice of any award granted, removed or revised will be by an adjustment to the council tax bill and the bill itself will be the formal notification. The authority may reserve the right for LA to include additional notifications.

Consideration will be given as to how further notifications of an award or non-award of LSCT will be made under the new scheme.

Any overpayment will be rectified by the amount being clawed back by an adjustment to the council tax bill.

**Appeals process**

Consideration will be given as to how a claimant may appeal a decision made by the local authority under the new scheme and to what decisions are appealable under the new scheme. Regulations are intended to define the body to which an appeal can be made.

**Uprating**

This draft scheme proposes that any figures set out in the scheme may be uprated, to take effect on 1st April each year following the commencement of the scheme, by the consumer price index set out in the preceding September.

This draft scheme will have parameters set out for one year, starting 1st April 2013 until 31st March 2014. If the local authority does not revise the scheme at the end of year 1 the parameters for year 1 will continue to apply for subsequent years.

**Other matters**

It is proposed that this scheme may be amended to take into account any circumstances subsequently identified, whether through government statute, public consultation or any other means.

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## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 6 AUGUST 2012

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**EX.093/12 LOCALISATION SUPPORT FOR COUNCIL TAX**  
(Key Decision – KD.021/12)

**Portfolio** Communities and Housing

**Relevant Overview and Scrutiny Panel** Community; and Resources  
**Subject Matter**

The Communities and Housing Portfolio Holder presented report CD.39/12 concerning Localised Support for Council Tax (LSCT). The report set out draft proposals for consultation for a local scheme through which the City Council would administer support for Council Tax. The principle of the policy (statement of intent) would be included as part of the formal consultation process.

The Communities and Housing Portfolio Holder outlined the background to submission of the report, informing Members that under the Welfare Reform Act Council Tax Benefit would be abolished and replaced by Localised Support for Council Tax as from 1 April 2013. She further explained the Government's reasons for making those changes, adding that local Councils had been asked to develop their own LSCT schemes.

The Communities and Housing Portfolio Holder did not consider recent Government guidance to be particularly clear, and expressed concern that low paid working claimants may still be disproportionately affected.

Details of the Council's Council Tax Benefit caseload; the considerations which required to be taken into account; and the timetable for introducing LSCT were provided.

In the short term and due to the challenging timescale, most Councils were likely to develop a LSCT scheme that either:

- (Option 1) sought to replicate the existing reductions in Council Tax liability through means of a discount and the precepting authorities (including the Council) funding the additional cost from other funding streams; or
- (Option 2) passed the cost (approximately 10 to 12.5%) of the reduced grant directly onto claimants by eroding the existing reductions for working age claimants; or
- (Option 3) sat somewhere between the above two options.

The intention in the longer term was that LSCT would 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. That was unlikely in the next two years so the above options had been explored more fully within the report. Also set out were details of the funding implications; technical reforms to Council Tax; and the key risks.

The Communities and Housing Portfolio Holder added that the draft scheme was identical to the current Council Tax Benefit Scheme, but would function as a legal discount rather than a benefit.

She advised that the figures quoted within the report were based on current Council Tax Benefit expenditure, indicative funding proposals (subject to consultation) and discount trends over the financial year 2011/12.

The Communities and Housing Portfolio Holder cautioned that LSCT would have a high political profile, was likely to be controversial and subject to legal challenge. Full Council approval to adoption of the Local Scheme would be required prior to the extremely tight 31 January 2013 deadline (otherwise the Government would impose a 'default scheme' which, whilst similar to the existing scheme, may include other financial disincentives and create reputational risk through inability or unwillingness to deliver a local scheme).

Consideration would need to be given to the financial implications of the local scheme based on entitlement determined during the first year 2013/14 and the position would need to be reviewed for future years.

The Finance, Governance and Resources Portfolio Holder emphasised that in Carlisle 45% of those in receipt of Council Tax Benefit were elderly and therefore protected under the nationally prescribed part of the Scheme. The remaining 55% would therefore be directly affected by the design of LSCT.

He highlighted the potential impact upon low income households; the extremely challenging timescales involved; the considerable resource implications and the fact that there were only approximately 500 second homes in Carlisle.

In summary, the Finance, Governance and Resources Portfolio Holder stressed the Executive's commitment to minimising the impact upon the poorest people in Carlisle.

The Director of Governance drew attention to the legal comments provided within the report. Given that the matter would have financial implications for the authority, he suggested that Members may wish to include the localisation of Council Tax Support Scheme within the definition of documents included under the umbrella of 'Budget' in the Council's Budget and Policy Framework (Article 4 of the Constitution). That would mean that the setting of the Scheme would be reserved to Council.

The Communities and Housing Portfolio Holder moved the recommendations as written, together with the above additional recommendation, which was duly seconded by the Finance, Governance and Resources Portfolio Holder.

**Summary of options rejected** other options, as detailed in report  
CD.39/12

**DECISION**

That the Executive:

1. Agreed the principle of not reducing the current level of reductions given to existing Council Tax Benefit recipients when changing from a Benefit to a Discount.
2. Agreed that Carlisle City Council's LSCT Scheme would be identical to the current Department for Work and Pensions Council Tax Benefit Scheme but written as a S13A policy document, under The Local Government Finance Act 1992 (as amended), to ensure it becomes a legal discount rather than a Benefit.
3. Agreed the principles of funding the scheme, in part or full, through the application of Council Tax Technical Reforms and other funding streams.
4. Was aware that the full LSCT S13A policy and the decisions regarding implementation of Council Tax Technical Reforms and other funding streams would need to be approved by Council on 8 January 2013.
5. Approved the principle of a draft policy (statement of intent), to include consultees, as part of the formal consultation process.
6. Agreed that consideration be given to the financial implications of the local scheme during the first operational year and the position reviewed for subsequent years.
7. Agreed that the Localisation of Council Tax Support Scheme be included within the definition of documents included under the umbrella of 'Budget' in the Council's Budget and Policy Framework (Article 4 of the Constitution).

**Reasons for Decision**

The need to provide Local Support for Council Tax is a requirement of the Local Government Finance Bill. The recommendations are for a local support scheme which will ensure that those most in need continue to receive assistance from April 2013