



To: Executive Councillor for Customer Services and Resources: Councillor Julie Smith
Report by: Alison Cole - Head of Revenues and Benefits
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee 20/12/2012
Wards affected: All Wards

LOCALISATION OF COUNCIL TAX SUPPORT Key Decision

1. Executive summary

- 1.1 The resolution at the Strategy and Resources Scrutiny Committee held on 9th July 2012 agreed the priorities as being to distribute the available funds as widely as possible, to ensure those people who are less well off continue to pay the least, and to provide incentives to bring empty properties back into use.
- 1.2 From 1 April 2013, Central Government is abolishing Council Tax Benefit and requiring local Councils to introduce a localised Council Tax Support scheme in the form of a Council Tax Reduction. The Government will prescribe Council Tax Support for pensioners, therefore the Council is required to design a local scheme for people of working age.
- 1.3 The Government is reducing the grant for Council Tax Support by at least 10% of the sum paid for council tax benefit. This means that the City will have a predicted £0.75m less available for Council Tax Reductions than it had for Council Tax Benefit.
- 1.4 This report provides Strategy and Resources Scrutiny Committee with details of the proposed Localised Council Tax Support scheme for Cambridge to be implemented from 1st April 2013.
- 1.5 Additionally, it provides details of the changes to legislation affecting the Local Taxation system, including changes to Council Tax for some empty properties and the charges for second homes.

2. Recommendations

The Executive Councillor is advised to recommend to Council that:

- 2.1 The proposed localised Council Tax Support Scheme, as set out in this report, be approved to be put forward to Full Council for its approval at the meeting to be held on 9th January 2013.
- 2.2 The proposals to take advantage of new powers set out in the Local Government Finance Act 2012 to vary statutory exemptions from Council Tax in respect of vacant and unoccupied dwellings, as set out in below paragraph 5.2, be approved (Annex A provides background information).
- 2.3 Authority be delegated to the Director of Customer and Community Services to make minor amendments to the scheme. Major amendments or fundamental changes will be referred to Executive Councillor, Chair and Oppositions Spokes of the Strategy and Resources Scrutiny Committee.
- 2.4 Authority be delegated to the Head of Revenues and Benefits, to make the detailed arrangements required to implement the proposed localised Council Tax Support Scheme and the variations to the exemptions from Council Tax.
- 2.5 Authority be delegated to the Director of Resources to calculate and approve the Council Tax Base for 2013/14 and to notify precepting bodies by 31 January 2013.

3. Background and Consultation Process

- 3.1 Further to the Strategy and Resources Scrutiny Committee held on 9th July 2012, recommendations are being made with regards to agreeing and implementing a local Council Tax Support Scheme for implementation from 1st April 2013.
- 3.2 The Council must have a scheme in place with full Council approval by 31st January 2013, or the Government's default scheme will be imposed on the Council.
- 3.3 The proposed final scheme in full may be found at Annex B.

Precepting Authorities Consultation

- 3.4 In accordance with legislative requirements the consultation process commenced with the Precepting Authorities.
- 3.5 A joint countywide consultation consisting of Cambridge City, East Cambridgeshire, Fenland, Huntingdon, and South Cambridgeshire was presented to Cambridgeshire County Council, Cambridgeshire Police Authority and Cambridgeshire and Peterborough Fire

Authority. This consultation consisted of several joint meetings of all precepting authorities and culminated in the production of a consultation document as at Annex C. Consultation closed on 31 July 2012.

- 3.6 Particular concerns were raised about the financial risks of the scheme and the requirement that all authorities are to pay a share of the shortfall between government grant and the actual amount paid out in Council Tax Support. Furthermore, any increase in the take-up of that support, coupled with any reduction in collection rates, is not taken into account in the allocation of Government Grants.
- 3.7 A written response from Cambridgeshire County Council indicates that they endorse the principle that collectively the schemes should provide incentives to work and be designed to minimise the impact on the Collection Fund.
- 3.8 They recognised that the Cambridgeshire County Revenues and Benefits Group and the Cambridgeshire Finance Officers have worked collaboratively and that this had helped their understanding. Emailed response from Cambridgeshire Police indicates that they have no questions regarding the proposals and no response has been received from Cambridgeshire and Peterborough Fire Authority.

Public Consultation

- 3.9 Cambridge City Council's Draft Scheme was published on 14 September 2012 and invited members of the public, affected parties and support groups to comment. It was advertised in Cambridge Matters, 3,500 letters sent to Council Tax payers and Council Tax Benefit recipients. Full consultation documents were on the City Council's website and where responses were completed online using survey monkey.
- 3.10 More than 200 organisations were contacted by email and letter, including Citizens Advice Bureau, Landlords, disability and other support groups.
- 3.11 The consultation ended on 31st October 2012, by which time a total of 67 responses were received. Overall the key principles of the scheme were supported in each category. Full details of the public consultation is at Annex D.

4 Basis of the New Scheme

- 4.1 Cambridge City Council is committed to minimising the effects of reduced central Government funding on the City's households and to keep the switch as simple as possible. It is the Council's clear intention to protect as many people as possible from reduced levels of Council Tax support.

- 4.2 There is no local discretion in respect of the provisions for pensioners, which are set out in statute; the application of the scheme is therefore separated into two schemes; one for pensioners and one for people of working age.
- 4.3 The arrangements for pensioners are set out in accordance with The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, hereinafter called the Prescribed Scheme.
- 4.4 For people of working age, the Government has set out a number of prescribed legal requirements to include, classes of persons, procedural matters, applications, decisions and appeals. The working age scheme identifies the prescribed legal requirements where they exist in accordance with Parts 1 & 2 and Schedules 7 & 8 of the Prescribed Scheme.
- 4.5 The application of the remainder of the working age scheme is at the Council's discretion.
- 4.6 It is proposed that the Council adopt The Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012, hereinafter called the Default Scheme, as its local scheme subject to certain amendments.
- 4.6.1 Alternative Maximum Council Tax Reduction commonly known as second adult rebate, will be abolished for persons of working age.
- 4.6.2 All types of military compensation payments, including War Disablement Pensions, War Widow's/Widower's Pensions and Armed Forces Compensation Scheme payments are to be fully disregarded when calculating Council Tax Reductions.
- 4.6.3 The maximum period an application can be made for a backdated period is one month.
- 4.6.4 Non-dependant deductions are set out in Annex E.
- 4.6.5 If in future, the income from the Council Tax technical reforms (section 5 below) does not cover the funding shortfall, for non-vulnerable working age individuals, a percentage reduction of between 0% and 20% may be removed from any reduction awarded. This will be reviewed annually as part of the decision making process to reflect future social and economic changes.
- 4.6.6 The percentage reduction for the year 2013 -14 will be set to 0%.
- 4.6.7 Persons classified as vulnerable (see paragraph 8.24) will be protected from any percentage reduction.
- 4.6.8 As a Council Tax Reduction is not a welfare benefit, but an adjustment to a Council Tax liability, any "overpayments" will be administered via existing Council Tax legislation as an adjustment to the liability under Part V of the Administration & Enforcement Regulations.

5 Council Tax Reforms

From 1 April 2013 changes in Council Tax legislation allow for the following:

- 5.1.1 Class A and C exemptions are to be abolished and replaced with a discount, which the Council has the discretion to set at anywhere between 0% and 100%, and
 - 5.1.2 Second home discounts can be reduced to 0%, and
 - 5.1.3 Long-term empty dwellings, i.e. those that have been empty for two or more years, may have a Council Tax charge of up to 150% levied, and
 - 5.1.4 The instalment scheme is being extended so that a Council Tax Payer may pay over 12 monthly instalments rather than 10 monthly instalments.
- 5.2 It is proposed that for Cambridge City:
- 5.2.1 Class A - uninhabitable dwellings be granted 100% discount for a maximum of 12 months to retain the current position.
 - 5.2.2 Class C - unoccupied and unfurnished dwellings be granted 100% discount for one month to allow for tenancy changeovers and 0% discount thereafter. Removal of the 50% zero occupancy discount currently applied after the initial 6 month Class C exemption.
 - 5.2.3 Second homes discount be reduced from 10% to 0%, and
 - 5.2.4 An Empty Homes Premium for long-term empty dwellings be set at 150%
- 5.3 The default monthly instalments scheme will remain at 10 monthly instalments due on the 5th day of each month, which may be extended to 12 monthly payments upon request.
- 5.4 Cambridge City Council will continue to work in partnership with the other Cambridgeshire authorities to publish the Council Tax booklet (including the online publication).
- 5.5 By utilising the Council Tax Reforms as above, it will limit the impact upon Council Tax Reduction applicants.

6 Council Tax Base

- 6.1 The introduction of local schemes for Council Tax Support impacts on the content and operation of Council Tax Collection Funds, maintained by Billing Authorities, and on the calculation of the Council Tax Base used to determine the level of Band D Council Tax for the coming financial year.
- 6.2 Under existing arrangements, Council Tax Benefit is credited to the Collection Fund; effectively paying a proportion of the bills of those taxpayers entitled to receive benefit. Under the new Council Tax Support arrangements, the amount of support awarded will effectively reduce the number of Band D equivalent properties within the tax

base; it will be treated in a similar way to existing discounts and exemptions.

- 6.3 Current legislation and draft regulations, relating to revisions to the calculation of the tax base, require full Council to approve the Council Tax Base by 31 January each year.
- 6.4 In light of this requirement and the need to take account of the approved local scheme of Council Tax Support and associated changes to discounts and exemptions, in estimating the tax base, delegated authority is sought for the Director of Resources to determine and approve the Council Tax Base for 2013/14.

7 Legalities

- 7.1 The Local Government Finance Act 2012, hereinafter called the Finance Act 2012, received Royal Assent on 31st October 2012. It provides for the Council's duty to make a scheme, the manner in which it is made and its structure.
- 7.2 Each billing authority in England must design and make a Council Tax Reduction scheme for the financial year 2013-14 by 31 January 2013. Failure to do so will mean the Government will impose a default scheme that does not allow for the 10% savings.
- 7.3 The decision to introduce or revise a local scheme must be taken by full Council; the decision may not be delegated to committee. It is suggested that authorities will probably want to amend schemes of delegation under their constitutions to make this clear.
- 7.4 The Secretary of State has the power to alter the commencement of these provisions.
- 7.5 Statutory provisions for pensioners are contained in Parts 1 to 3 and Schedules 1 to 8 of The Prescribed Regulations SI 2012/ 2885.
- 7.6 Statutory provisions for persons of working age are contained in Parts 1 to 3 and Schedules 7 to 8 of The Prescribed Regulations.
- 7.7 Discretionary powers for the Council to design the remainder of its scheme for working age people are provided for in section 13A, as substituted, and Schedule 1A of the Finance Act 1992.
- 7.8 The Default Scheme Regulations contain provisions for a complete Council Tax Reduction scheme, including the prescribed requirements, which Local Authorities may choose to adopt in its entirety or, in relation to those elements not prescribed in the Prescribed Scheme Regulations, may change, adapt, amend, delete and add to.
- 7.9 Where the Council decides to adopt the Default Scheme, it becomes the local scheme. It is the local scheme as made by the Council that is legally binding, not the Default Regulations, unless they have been imposed upon the Council.

7.10 The Council's scheme(s) must be written out in full, carefully structured using legal language and set out in a way that can be both easily updated following relevant changes in national legislation and local policy and relied on in the event of any legal challenge.

7.11 In the event of an appeal to the Valuation Tribunal, the Council will be expected to produce its full scheme for the benefit and scrutiny of the tribunal.

Pensioners' Protection

7.12 The Government has stated that Council Tax support for people of state pension credit age will not be reduced because the Government does not expect work to increase their income. Legislation will be provided to protect pensioners by keeping in place national rules.

Making the scheme

7.13 The scheme needs to be simple, transparent, fair and have regard to:

- Government requirements
- Work incentives
- Local economic conditions
- Local policy priorities
- Demographic changes
- Compliance with legal duties and risk of legal challenge
- Software constraints, particularly in the short term
- The consequences of behavioural change by individuals

7.14 Preparations for the changes have included liaison with neighbouring local authorities and discussions with authorities nationally. Discussions have also taken place with the Department for Communities and Local Government and bodies representing local government including the Institute of Revenues Rating and Valuation and the Chartered Institute of Public Finance and Accountancy.

7.15 A formal consultation exercise ran between 14th September 2012 and 31st October 2012 on the proposed changes. The feedback from this consultation is covered in more detail in Annex D.

7.16 It will be important for the Council to closely monitor the impact of its first scheme in order to ensure it can be refined and improved over time.

7.17 Section 9 of the Finance Act 2012 provides that the Secretary of State shall, within three years make provision for an independent review of all Council Tax Reduction schemes to (a) consider their effectiveness, efficiency, fairness and transparency and their impact on the localism agenda, and (b) make recommendations as to whether such schemes should be brought within Universal Credit.

Vulnerable Groups

- 7.18 The Council is required to protect vulnerable groups when making its local scheme. The Government does not intend to prescribe how this is achieved; rather the Government draws the Council's attention to existing responsibilities including the Child Poverty Act 2010, the Disabled Person's Act 1986 and the Housing Act 1996 as well as the public sector equality duty in section 149 of the Equality Act 2010 and the Armed Forces Covenant.
- 7.19 The decision about vulnerability will have to be made in the broader context of welfare reform. The Council will need to decide the benefits or not of a single view of vulnerability that is compatible with other national benefits. The Council will also need to look at other services that provide emergency payments, e.g. for the prevention of homelessness, support for vulnerable families and to prevent children entering the care system.
- 7.20 The proposed approach to community engagement and consultation and Equalities Impact Assessment has been an important part of this process.
- 7.21 The proposed scheme considers the outcome of the Equalities Impact Assessment and endeavors to treat each of the Communities fairly.
- 7.22 This is achieved by adopting the Default Scheme rules for the level of personal allowances, premiums, known as the "applicable amount" (sums of money that the Government sets as a minimum requirement for each category of customer). The applicable amount is linked to those prescribed for the Housing Benefit scheme, and is uprated annually. A similar set of allowances, called the "maximum amount" will apply to the Universal Credit.
- 7.23 These applicable amounts and premiums represent the needs of the individual and their family.
- 7.24 Persons classified as vulnerable under the Reduction scheme are:
- Families with dependant children, taken as those in receipt of Child Benefit.
 - Young persons aged 24 and under who have previously been in the care of a Local Authority
 - Persons included in the household assessment who are entitled to or have an underlying entitlement to a disability benefit
 - Applicants entitled to a Council Tax Disabled Band Reduction
 - Persons registered or certified blind
 - Carers who care for a family member

Work incentives

- 7.25 The Council is required to take account of work incentives when making its local scheme, which the Government expects to help move local taxpayers into work by complementing the Universal Credit scheme.
- 7.26 Work incentives that exist in the current Council Tax Benefit scheme have been brought forward into the Default Scheme, and it is proposed these are adopted as part of the Council's local scheme.
- 7.27 These are earned income disregards, an amount of money a person can earn before earnings are taken into account for the "Means Test", and a system of extended payments.
- 7.28 This allows a reduction to be awarded for up to four extra weeks following a person starting work and who meets certain qualifying criteria.

8. Timetable

- 8.1 Provisions for Council Tax Support are included in the Local Government Finance Act 2012, which received Royal Assent on 31st October 2012 and stated that the Council must have a scheme in place by 31st January 2013. Secondary legislation in the form of Regulations were laid by Parliament on 22nd and 26th November 2012.
- 8.2 Thus far, all preparations for the reduction scheme have been made using draft regulations and guidance notes issued by the Department for Communities and Local Government.
- 8.3 The lateness of final legislation means a very challenging timetable to complete all the final preparations for the making of the scheme by full Council:
- December 2012/January 2013 -
 - Software and systems design and final financial implications included in budget planning for 2013/14
 - Analysis of final regulations and preparation of legal full scheme documentation for both pensioners and working age
 - January 2013 -
 - Meeting of full Council to agree and make the Council Tax Reduction scheme
 - Testing for annual billing run - Council Tax base set - specific communication with affected households setting out changes
 - February 2013 - Council sets its budget
 - March 2013 - Council Tax bills issued

9. Implications

Financial Implications

- 9.1 The changes in Council Tax support will have a significant affect on the income received by the authority. It is likely to lead to higher collection costs and the need for an increased write-off provision as a result of the changes.
- 9.2 It is not possible to quantify the full financial impact, as it will be partly dependant upon Council Tax collection levels. Any loss of income from reduced collection levels will be partly borne by the precepting authorities.
- 9.3 The introduction of localised Council Tax support represents a significant transfer of “financial risk” from Central Government to Local Government.
- 9.4 It should be noted that failure to make a scheme by 31st January 2013 in the manner prescribed would lead to a default Government scheme being imposed upon the Council that takes no account of the 10% reduction in Government funding.

Risk Management

- 9.5 The Government has concluded in its own impact assessment that the key risks surround future need for Council Tax support. If demographic changes or economic circumstances mean that eligibility for Council Tax support increases significantly then the consequence of switching from a national to a local system will be that authorities bear more of the risk of a shortfall in funds.
- 9.6 The Council will need to closely monitor local social and economic changes to ensure that increased income from Council Tax reforms provides a surplus sum as a contingency for possible future shortfalls in funding and/or design a local scheme to allow for savings in excess of 10%.

Funding Arrangements

- 9.7 Localisation of support for Council Tax is accompanied by a 10% reduction in Government grant funding. The grant allocations for individual billing and major precepting authorities will be calculated as follows:
 - The total amount for distribution in England will be based on forecasted subsidised Council Tax Benefit expenditure for 2013-14.
 - Funding will be distributed between billing authority areas according to shares of annual subsidised Council Tax Benefit expenditure;

- Funding will then be distributed between billing and major precepting authorities within a billing authority area, according to shares of Council Tax in each authority.

9.8 No account of unforeseen increased demand for support is taken into account when allocating the grant. The proposed fixed grant to local authorities represents a significant financial risk, as it will not include any provision to manage increased take up and demand.

9.9 The Council will also receive funding for the administration of the new Council Tax Reduction scheme. There will be an increase in the administration costs for the Council of the new scheme and it is not clear whether this will be fully funded.

9.10 The grant allocations for individual billing and major precepting authorities will be published by Government as part of the provisional Local Government Finance Settlement in December.

Government's Transitional Funding Grant

9.11 The Government announced on 16th October 2012 that they were making available an additional £100m 'one-off' funding to support local authorities that have developed 'well-designed' Council Tax support schemes that minimise the impact of these changes.

9.12 To qualify for this grant billing authorities are required to ensure that:

- those who currently pay no Council Tax should pay no more than 8.5% of their liability;
- the taper rate does not rise above 25% (this is the amount taken into account due to additional income currently 20% at Cambridge)
- there is no sharp reduction in support for those entering work

9.13 Cambridge City Council meets the criteria for this additional grant and will be making an application, which must be made between 1st and 15th February 2013. If successful, the following amounts will be awarded from the Government directly to:

- Cambridge CC £17,090
- County £110,672
- Police £17,905
- Fire £6,085

Staffing Implications

9.14 Current levels of staff will need to be maintained while the scheme is established.

Equal Opportunities Implications

- 9.15 Careful consideration has been given to the assessment of the equalities implications throughout the design and implementation of the new scheme. A thorough consultation and engagement process was entered into to support this.
- 9.16 A full Equalities Impact Assessment has been prepared to support the decision on the proposed scheme and this was refined following feedback from the formal consultation process and used to inform the decision on the final scheme. This can be found at Annex F.

Environmental Implications

- 9.17 Nil.

Community Safety

- 9.18 Any decrease in Council Tax support will lead to a reduced income for those already in financial difficulty, which may have an impact upon crime and disorder.

Procurement

- 9.19 This is a complex project that will follow the Procurement Strategy and policies.

Consultation and Communication

- 9.20 Consultation has been carried out with partners and a wider public consultation has been completed in line with Government requirements and Council procedures, the outcome of which is contained in Annex C and Annex D.

10 Background papers

These background papers were used in the preparation of this report:

Localising Support for Council Tax: A Statement of Intent

Localising Support for Council Tax: Funding arrangements consultation

Localising Support for Council Tax: Vulnerable people – key local authority duties

Localising Support for Council Tax: Taking work incentives into account

Localising Support for Council Tax: Guidance note on administrative matters

Localising Support for Council Tax: Council Tax Base

Localising Support for Council Tax: Funding arrangements

Localising Support for Council Tax: Transitional grant scheme

Local Government Finance Act 2012

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

The Council Tax Reduction Schemes (Draft Scheme) (England) Regulations 2012

Localising Support for Council Tax: Technical Reforms to Council Tax

All of which may be found on here:

[Government Policies/Giving local authorities more control over how they spend their money](#)

11 Appendices

Annex A: Council Tax Reforms to discounts and exemptions

Annex B: Council Tax Reduction Scheme (Persons who are not Pensioners) (Cambridge City Council) 2013

Annex C: Consultation - Precepting Authorities

Annex D: Consultation - Public

Annex E: Non-dependant deductions

Annex F: Equality Impact Assessment

Annex G: Council Tax Reduction Scheme (Pensioners) (Cambridge City Council) 2013

12 Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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