

MEETING:	COUNCIL
DATE:	23 NOVEMBER 2012
TITLE OF REPORT:	COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS
REPORT BY:	CHIEF OFFICER FINANCE AND COMMERCIAL

1 Classification

Open

2 Wards Affected

County-wide

3 Purpose

To approve the recommendations of the Cabinet meeting held on 15 November 2012, as set out in the attached appendices, to agree a Council Tax Support Scheme in the light of the requirements set by the Government and the outcome of local consultation and determine the level of Council Tax Discount for vacant properties and second homes.

4 Recommendation(s)

THAT:

- (a) **the Council Tax Transitional Grant be accepted;**
- (b) **Council adopt a new Council Tax Support Scheme for 2013/14 based on the adoption of two of the principles that were consulted upon as indicated in paragraph 31 of the Cabinet report, so that the requirements of the grant be met; and**
- (c) **changes to Council tax discounts outlined in the report be implemented from 1 April 2013.**

5 Reasons for Recommendation

- 5.1 The Cabinet is required to recommend to Council a new Local Council Tax Support Scheme for implementation on 1 April 2013. The Government has recently made available transitional funding for new schemes that ensure people currently receiving 100% of council tax support pay no more than 8.5% of their council tax liability from 1 April 2013.

6 Community Impact

- 6.1 On 14 June Cabinet considered “Understanding Herefordshire”, the integrated evidence base and needs assessment. This was reflected in the draft corporate plan proposals reported to Cabinet on 18 October prior to consideration by Council.
- 6.2 Key elements in the draft corporate plan link to reducing inequalities in health and wellbeing outcomes. The approach taken in designing the scheme has been to continue support for the vulnerable and the wider community impact will be monitored as the scheme is implemented.

7 Equality and Human Rights

- 7.2 An Equalities Impact Assessment (EIA) for the proposed changes arising from the local scheme was completed and placed on the council's website along with the consultation documents.
- 7.3 The EIA looked at the potential for not only protecting pensioners (as required under the legislation) but also retaining a large amount of the protections already present for working age claimants within the existing council tax benefit scheme.

8 Financial Implications

- 8.1 The current Council Tax Benefit subsidy is £13m. The Government announced in the 2010 Spending Review that their funding of council tax benefit would be reduced by 10%. The Government will replace the current council tax benefit with grant funding. The estimated grant is £11.6m leaving a potential gap of £1.4m if the scheme continues without change.
- 8.2 Until the Council receives confirmed regulations, estimates continue to be used for income levels.
- 8.3 The terms of the Council Tax Transitional Support Grant can be met if only two of the nine principles are implemented in 2013/14. These are limiting council tax reduction to 91.5% of liability (£530k) and removing the second adult rebate (£21k). The acceptance of the transitional grant and changes to council tax discounts will provide the balance of the sums required to close the estimated £1.4m funding gap as follows:

Proposed Changes or Funding Streams	£'000
Limit council tax reduction to 91.5% of liability (Principle 1)	530
Remove second adult rebate (Principle 3)	21
Empty Property Class A discount for maximum of 12 months at 25%	105
Empty Property Class C discount for maximum of 6 months at 25%	600
Remove 10% discount for second homes	120
Transitional Grant	312
TOTAL	1,688

The above is an estimate and a cautious approach has been taken given that a number of changes are not yet known. The numbers in receipt of support under the scheme may

increase and it is prudent to allow for this change. The council also has to meet any additional costs relating to pensioners' costs including an increase in numbers. . This is now a matter for the Council to fund including the impact of any potential council tax increase.

9 Legal Implications

- 9.1 As the new support scheme will be a localised scheme, if the Council fail to take into account views from the consultation in deciding the shape of the final scheme, there is potential for a legal challenge if the Council choose to adopt the transitional grant scheme. As this will change the draft scheme used in the consultation a decision will need to be made on whether any further consultation is necessary

10 Risk Management

- 10.1 The scale of the changes is likely to have a significant impact on workloads and ICT systems not least because of the short timescales for implementation. We are working with our software provider to maximise the time available for testing changes to include local elements of the scheme as any delays could have an impact on the annual billing cycle for 2013/14.
- 10.2 This situation could be further complicated by the potential for further changes to the draft regulations to reflect the outcomes from central government consultations which have not yet been completed.
- 10.3 With an increase in the number of claimants, who will either be paying council tax for the first time or paying more and in many cases small amounts, there is likely to be an increase in collection costs through greater debt recovery workloads plus the potential for a higher level of uncollectible debt. Plans are being developed to respond to this.
- 10.4 Because the new scheme is no longer a national scheme which is applicable to all billing authorities there is also potential for local challenges to schemes and it is not clear what impact this could have on both the scheme and on implementation timescales.
- 10.5 A copy of the draft support scheme has been passed for approval by Legal Services.
- 10.6 The potential for fraud may arise as the new scheme will not be covered by current Department for Work and Pensions rules. Further information and draft regulations have been promised to provide powers that will ensure Councils can pursue fraudulent claims for support. The Council has a very good track record dealing with benefit fraud.

11 Consultees

- 11.1 The major preceptors (Police, Fire and Rescue) were consulted on the scheme. They were in favour of the proposed approach.
- 11.2 Consultation ran from 30 August to 26 October 2012. The consultation questionnaire was published on line using Herefordshire Council's website together with a consultation document. In addition around 1,000 paper copies were issued, of these 500 copies were sent to a sample of working age residents who are currently receiving council tax benefits. Questionnaires were provided to social landlords and voluntary organisations to distribute to their tenants and contacts, and at the "Your Community Your Say" events.
- 11.3 Workshops were held for local organisations, voluntary groups and social landlords. Social landlord newsletters made reference to the consultation.

11.4 All parish clerks were notified of the consultation.

11.5 In total 231 responses were received by the end of the consultation period. The following table summarises the response to the nine principles (questions):

Principle	Agree/ Strongly Agree	Disagree/ Strongly Disagree	Neither agree or Disagree
1. All taxpayers should pay Something	138	76	15
2. Support should be capped at Band D level	114	72	42
3. To remove second adult rebate	135	70	25
4. To limit the level of savings	144	68	18
5. To increase contributions for non-dependants	129	50	49
6. To include child benefit as income	91	128	9
7. To remove extended payments	92	111	28
8. To include maintenance as income	126	76	29
9. To reduce the earnings disregard for lone parents	110	82	37

11.6 The outcome sees support for the majority of the nine principles (if those who neither disagree or agree are removed from the calculation). The two principles not supported in the consultation are the inclusion of child benefit as income and the removal of extended payments. Neither option is included in the scheme that meets the announced guidelines for the transitional grant.

12 Appendices

- Cabinet report 15 November 2012
- Appendix A: consultation documents
- Appendix B: council tax support scheme consultation report

13 Background Papers

- Equality Impact Assessment