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**LOCALISATION OF COUNCIL TAX SUPPORT**

Committee: Scrutiny Committee

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[M173]

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1.0 **ISSUE**

1.1 The Local Government Finance Bill has introduced the requirement for all council tax billing authorities to devise a local council tax support scheme to replace the existing national council tax benefit scheme to commence on 1 April 2013. The Government required councils to consult on their draft scheme prior to the final scheme being formally adopted by the statutory deadline of 31 January 2013. This report provides the results of the consultations with the major precepting authorities and the public, together with the Council's proposed localised council tax support scheme for 2013/14.

2.0 **RECOMMENDATIONS**

2.1 That the Committee recommends to Finance and Governance Committee that the draft localised council tax support scheme be recommended to Full Council.

3.0 **BACKGROUND/OPTIONS**

3.1 Earlier this year the Government consulted on proposals for the localisation of support for council tax in England. This followed the announcement at the 2010 Spending Review that support for council tax would be localised from 2013-14 and that financial support to councils would be reduced by 10% from the same date.

3.2 These proposals change council tax benefit, a fully funded nationally prescribed benefit, to a locally determined rebate, referred to as a discount. As a consequence councils have the freedoms to locally determine schemes that support families already in work and to encourage those not currently in work into work as part of Government's wider strategy to reduce the spiralling costs of welfare.

3.3 Councils are required to design and consult on their draft schemes for adoption by January 2013. If the Council fails to adopt a scheme by this deadline, it will be required to follow the default scheme which is essentially the current council tax benefit scheme with a 10% cut in funding from the Government.

- 3.4 Council tax support for pensioners will not be reduced, but will remain at existing levels administered using national rules based on the existing scheme.
- 3.5 Central Government will provide a fixed level of funding to local authorities (including major precepting authorities) which will reduce their council tax requirement. This amount, along with any funds that councils choose to allocate to the new scheme, will be the amount that is available to award in Council Tax support. Unlike current arrangements, the funding will not vary according to demand once it has been fixed, and so the Billing authority (this Council) and the major precepting authorities (County, Fire and Police) will share the risk of increased demand for the council tax discount.
- 3.6 The approved scheme of Council Tax support cannot be amended in – year, but it can be revised between years, subject to further consultation.
- 3.7 At the July 2012 Finance and Governance Committee meeting, the Head of Finance was given delegated authority, in consultation with the Chairman, to determine the consultation requirement, process and draft scheme.

#### 4.0 CONSULTATIONS

- 4.1 The Government has prescribed that before the Council can adopt a council tax support scheme, it must consult in the following order:
- Consult any major precepting authority which has power to issue a precept
  - Publish a draft scheme in a manner as it sees fit
  - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 4.2 In line with this, the Cambridgeshire County Revenues Group, acting on behalf of the District Councils, consulted with the major precepting authorities (County, Fire and Police) in July 2012. The County Council has urged each of the billing authorities in Cambridgeshire to aim to deliver a localised scheme that is cost neutral to the precepting authorities and where possible to design a scheme that will deliver in excess of the 10% cut in Government funding to provide a safety margin to cover any potential losses from lower collection rates and increases in caseload.
- 4.3 Following the publication of the draft scheme on the Council's website, a formal consultation period ran from 2 August to 28 October 2012. This was a 12 week consultation period to reflect the complex nature of the proposals.
- 4.4 The Council also corresponded with the following groups to notify them of the forthcoming changes to the current council tax benefit system and alerting them to the consultation of the Council's draft scheme:
- Pensioners

- Working Age Claimants
- Sample of general council tax payers
- Stakeholder organisations

4.5 The Council also held meetings with stakeholder organisations to explain the details of the draft scheme and to answer any queries and concerns. Information regarding the forthcoming changes to the current council tax benefits system were also publicised in the local press.

4.6 The Council consulted on a draft scheme which proposed reductions to the discounts received by four different groups. These were:

- i) Reducing the discount to those who are of working age.**  
This would have the effect of ‘making work pay’ by reducing the amount of benefits available to those who are not working or working and receiving some benefit and increasing the incentive to work.
- ii) Removing the discount available to owners of second homes.**  
This would ensure that owners of second homes, who currently only pay 90% of their council tax, make an equal contribution to the local area.
- iii) Removing the discount available to owners of empty homes**  
This would help to bring empty properties back into use so that they can be used to house local families.
- iv) End the second adult rebate**  
This would stop those who are not entitled to council tax benefit from getting support because they share a house with someone who has a low income.

4.7 The consultation questionnaire asked consultees to rank these four reductions in their order of preference, with number 1 being their most preferred choice and number 4 their least preferred.

4.8 The Council received a total of 172 responses to the consultation on the draft council tax support scheme. The results showed that the options had been ranked in the following order of preference with the first being the most popular reduction:

Order Of Preference	Reduction
1.	Remove the discount available to owners of second homes
2.	Remove the discount available to owners of empty homes

3.	End the second adult rebate
4.	Reduce the discount to those who are of working age

## 5.0 TRANSITIONAL GRANT SCHEME

5.1 On 16 October 2012, the Government announced that £100m would be made available for councils, in 2013/14 only, to help support them in designing their council tax support schemes. The grant will be made available to both billing and major precepting authorities whose local schemes satisfy the following criteria:

- Those who would be on 100% support under the current council tax benefit arrangements pay no more than 8.5% of their council tax liability.
- The taper rate ( ie the rate at which support declines as people's income increases) does not increase above 25%
- There is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award (which to be eligible for the grant, could not be less than 91.5%)

5.2 The Government will allow councils to make applications for the transitional grant after 31 January 2013 but before 15<sup>th</sup> February 2013. This means that councils will have approved their local council tax support scheme prior to them having confirmation of the grant funding being awarded.

5.3 The Government has confirmed the amount of funding that each authority will receive if their scheme meets the criteria. Major precepting authorities will only be entitled to the funding that corresponds to their share of council tax raised by the billing authority and only if the billing authority is eligible for the funding and applies for it. The billing authority must apply for the funding for its major precepting authorities.

5.4 The funding for this Council and the precepting authorities is:

- East Cambridgeshire - £13,679
- County – £77,143
- Fire – £4,242
- Police - £12,481

## 6.0 PROPOSED LOCALISED COUNCIL TAX SUPPORT SCHEME.

- 6.1 The proposed scheme has initially concentrated on varying some of the current statutory exemptions from council tax in order to raise some additional council tax revenue. This has been made possible through the Government's introduction of technical reforms to Council tax from 2013/14. The Council's scheme proposes the following changes to council tax discounts and exemptions:

Exemption / Discount	Current Position	Proposed Change
<b>Class A Exemption- Empty Homes</b> Vacant with major repairs or structural alterations	100% exemption for 12 months	10% exemption for 12 months
<b>Class C Exemption – Empty Homes</b> Vacant empty and substantially unfurnished	100% Exemption for 6 Months	100% Exemption for 1 month only
<b>Long Term Empty Homes Premium</b> Homes that have been empty for over 2 years	No premium and council tax is charged at 100%	Charge an additional 50% premium.
<b>Second Homes Discount</b>	10% discount is applied	To remove the discount completely

- 6.2 Part of the Government's wider reforms relate to housing and the desire to create more homes and bring back empty properties into use. Changing the discounts to some classes of empty properties and charging a premium to the longer term empty properties would provide an incentive to re-let void properties more quickly.

- 6.3 The Council's consultation included an option to charge working age claimants who are currently in receipt of council tax benefit up to 25% of their council tax under the new discount scheme. However, by taking advantage of the changes to the exemptions and discounts as set out in paragraph 6.1, the Council can reduce this contribution to 8.5% and receive the Government's transitional grant.

- 6.4 This additional council tax income will aid the Council to provide a cost neutral scheme, whilst reducing the percentage contribution of working age claimants to 8.5% and claiming the transitional grant funding from the Government.

## 7.0 FINANCIAL IMPLICATIONS / EQUALITIES IMPACT ASSESSMENT

- 7.1 Under the current scheme, the Department for Works and Pensions reimburse councils for their council tax benefit in the form of a subsidy in accordance with nationally set criteria.

- 7.2 However, from 1 April 2013, the Department for Communities and Local Government will distribute the funding to local authorities. It will be cash limited and cut by 10%. However, the Council will not receive confirmation of the exact amount of funding until 20 December 2012, when the Government is expected to announce the 2013/14 grant settlements to local government.
- 7.3 The estimated cost of this Council's Council Tax Support Scheme for 2013/14 is £4.68m. Using the Government's exemplification of funding distribution for all Councils that was published in its funding arrangements consultation earlier this year, together with the estimated transitional grant, there is a forecast funding gap of £0.601m for the East Cambridgeshire scheme.
- 7.4 In order to produce a cost neutral Localised Council Tax Support Scheme, the Council will amend a number of exemptions and discounts which should generate additional council tax. By taking the Government's transitional grant, the Council can limit the council tax payable to 8.5% for those of working age who are currently in receipt of council tax benefit.
- 7.5 The estimated cost of the Council's Localised Council Tax Support Scheme is set out in Appendix 1, together with the indicative Government funding for the Council and the major precepting authorities. The additional anticipated revenue the scheme will generate from amendments to various exemptions and discounts and the contributions of 8.5% of council tax from those who are currently in receipt of council tax benefit is also shown in the appendix to this report.
- 7.6 Equality Impact assessment (INRA) to be tabled at the Committee meeting.

## 8.0 ARGUMENTS/CONCLUSIONS

- 8.1 It has been possible to produce a cost neutral Localised Council Tax Support Scheme for this Council and the major precepting authorities (County, Fire and Police). However, the Government funding for this scheme is currently an estimate. The announcement of the Local Government Financial settlement for 2013/14 is due to take place on 20 December. The proposed scheme, as set out in this report, may therefore need adjusting once the settlement is known and before it is presented to Full Council for approval on 8 January 2013.

## 9.0 APPENDICES

Appendix 1: The Localised Council Tax Support Scheme for East Cambridgeshire District Council.

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**Background Documents****Location****Contact Officer**

Localising Support For  
Council Tax – DCLG  
various consultation  
documents

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