

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 17 JULY 2012**

Title of report	<b>LOCALISATION OF COUNCIL TAX SUPPORT</b>
Contacts	Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Ray Bowmer Head of Finance 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a>
Purpose of report	To delegate to the Section 151 Officer in consultation with the Corporate portfolio holder authority to decide upon the scheme for localisation of council tax support upon which to consult the public.
Strategic aims	Value for Money
Implications:  Financial/Staff  Link to relevant CAT  Risk Management  Equalities Impact Assessment  Human Rights  Transformational Government	  Financial issues are contained within the report.  None.  There are significant financial risks to manage which will continue to be fully considered during the design of the scheme.  Will be required.  No implications.  .
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory

Background papers	
Recommendations	<b>THAT CABINET DELEGATES TO THE SECTION 151 OFFICER IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER AUTHORITY TO DECIDE UPON THE SCHEME FOR LOCALISATION OF COUNCIL TAX SUPPORT UPON WHICH TO CONSULT THE PUBLIC</b>

## 1. INTRODUCTION

- 1.1 The Council is working with the other Councils within Leicestershire as well as the City Council and Rutland County Council to provide detailed modelling on five draft schemes to implement the new localised support for council tax. An external organisation has been appointed to assist with data modelling for the draft schemes.
- 1.2 Detailed analysis of the five schemes will be received from the consultant in mid July. This will then need to be assessed within each of the local authorities. Consultation needs to start in early August on a recommended scheme to enable the Council to meet the statutory deadlines. It is recommended that the Cabinet delegates to the Section 151 Officer in consultation with the Corporate portfolio holder authority to decide upon the scheme for localisation of council tax support upon which to consult the public.

## 2. BACKGROUND INFORMATION

- 2.1 As part of the Government's Welfare Reform programme, from April 2013 Council Tax Benefit, the current means of helping people on low incomes meet their Council Tax obligations, will be replaced by a new localised support scheme defined by each Council.
- 2.2 The Government has stated that pensioners will be protected from the effects of the local schemes by a national framework of rules and eligibility. Working age claimants not being the subject of national rules and eligibility will however be subject to the provisions of the locally defined scheme and not a national framework. The current government grant is being reduced nationally by an average of 10%.
- 2.3 The Council is required to publish details of its proposed draft scheme and some of the contents of the document will be by its very nature, technical in detail. However, we will be providing examples of how the proposals may affect entitlement in comparison to the existing Council Tax Benefit scheme on our web page. To support this we are working with all Councils in Leicestershire to include both Leicester City and Rutland Councils.
- 2.4 All Councils within Leicestershire are currently working with a provider to facilitate and provide detailed reports on five scheme options. These options will then be considered and we will then consult on the option put forward.
- 2.5 The Local Government Finance Bill contains provisions for the localisation of council tax support in England by imposing a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013 and to consult with major precepting authorities and such other persons as it considers likely to have an interest in the scheme about the scheme.

Although the regulations have yet to be enacted in law the Government has advised that consultation continues in order to meet the timescales for a 1 April 2013 implementation.

### Options being modelled

2.6 There is a multitude of options which could be modelled. On a county-wide basis five have been selected to bring out the main differences, but further variations are being modelled and the scheme selected for consultation is likely to be a hybrid of these.

2.6.1 **Option 1 Default Scheme**

This will be based on current eligibility with no reduction in support for Council Tax payers.

2.6.2 **Option 2 Council Tax eligibility set at 75%**

Support will be provided based on 75% of the charge only and there would be no assistance with the remaining 25% of the charge.

2.6.3 **Option 3 Council Tax eligibility set at 80% with tapers set at 25%**

This is similar to Option 2 but there is more regard to ability to pay as income will be taken into account to a greater extent by increasing the current "taper" on earned income from 20% to 25%.

2.6.4 **Option 4 Option 3 to include both Council Tax class A and C exemptions factored at 50%**

This option is similar to Option 3 but also takes into account taking advantage of new powers to award less generous discounts to Council tax payers on short term empty properties, effectively reducing the discount from 100% to 50%.

2.6.5 **Option 5 Blaby DC model**

Blaby is already consulting on a scheme as follows:

- 85% maximum award for all working age householders
- Limit the amount of child benefit that is disregarded to £20.30
- Increase taper reduction to 25%
- Remove second adult rebate for all working age.
- Restrict benefit to that of a band D property
- Limit the disregarded capital to £3,000
- Reduce lone parent earned income disregards to £10.00 pw
- Remove additional earnings disregard of £17.10 pw

## **3. RISK MANAGEMENT IMPLICATIONS**

3.1 The following risks have been identified:

### 3.2 Technical

IT systems will have to be modified and will be importing data from other external agencies. There is the potential for data mismatch or errors resulting from inaccurate information. IT suppliers may struggle to deliver thoroughly tested modifications to systems in time for the implementation date. This makes it essential that a new scheme is adopted at an early stage. The risk will be mitigated through adequate project management.

### 3.3 Collection Rates

For this council roughly half of benefit claimants (non-pensioners) will have to absorb all of the Government's reduction in support. Simply put, the average reduction would be nearer to 20% than 10%. For some people Council Tax bills will increase considerably which will adversely affect their ability to pay and could impact on collection rates, arrears and bad debts.

## 4. CONSULTATION

The timetable to implement these changes is extremely tight and each authority will need to consult with preceptors and the public before seeking approval from Cabinets/Executives and full Council for the new scheme. Delegation is therefore being sought for the Section 151 Officer in consultation with the Corporate Portfolio Holder to decide upon the scheme for localisation of council tax support upon which to consult the public.

## 5. FINANCIAL IMPLICATIONS

The Government Grant will be fixed but demand is not. Changing demographics or unexpected consequences of the scheme design could mean Council Tax Support awarded is more than anticipated and hence Council Tax collected and distributed will not equate to that budgeted for.

The net cost for this Council would be approximately £83,000 in Year 1 to continue the current level of support. This is not a huge sum in itself but comes on top of other cuts in Government funding, and could increase in size in future years if demand and Council Tax levels increase. Effectively it means that all Council Tax payers would be subsidising the local support scheme through their Council Tax. This is a route that some unitary authorities have decided to follow. The advantages of this course would be the reduction in workload required to implement a new scheme and the reduction of many of the risks particularly those related to non-collection. It is recommended that this option is kept open and consulted upon with the other preceptors.

If a local scheme is introduced at reduced cost it would be possible to save the money which the Government is withdrawing but there is a risk of lower collection rates, arrears and bad debts.

## 6 TIMETABLE FOR IMPLEMENTATION

2012		
17 July	Cabinet	Delegates authority to publish scheme for consultation
Early August	Portfolio Holder/s151 Officer	Publishes scheme for consultation
23 October	Cabinet	Recommends new scheme
30 October	Council	Approves new scheme
11 December	Cabinet	Approves Council Tax Base and preceptors advised