

POLICY FINANCE AND ADMINISTRATION COMMITTEE

03 DECEMBER 2013

**REPORT OF HEAD OF CENTRAL SERVICES AND
COMMUNITIES AND NEIGHBOURHOODS**

LOCALISING SUPPORT FOR COUNCIL TAX

1.0 THE PURPOSE OF THE REPORT

- 1.1 This report is to seek approval for a revised Council Tax Support (CTS) scheme for financial year 2014/14 (Year 2 of the CTS).
- 1.2 The decisions of this Committee will be passed to Full Council for approval.

2.0 RECOMMENDATIONS

2.1 Policy and Finance Committee recommends to Full Council

- a) **The scheme attached at Appendix A is adopted as the localised Council Tax Support Scheme for Melton Borough Council from 1 April 2014. (The maximum liability for people of working age is 88.0% as recommended by the BSPWG).**
- b) **That the portion of the grant attributable to Parishes and Special Expenses is reduced in line with Melton's anticipated Revenue Support Grant being 25% in 2014/15 and is adjusted in line with anticipated reductions (increases) in Revenue Support Grant for future years.**
- c) **That no transition scheme is required following the approval of an increase in the CTS Liability Cap from 8.5% to 12%.**

3.0 BACKGROUND

- 3.1 A report was brought before the Full Council on 12 December 2012 that explained the legislative changes brought by the Local Government Finance Act 2012 including the ending of Council Tax Benefit (CTB) and the requirement for Billing Authorities to introduce a Local Council Tax Support (CTS) Scheme from 1 April 2013.
- 3.2 The Council at that meeting, adopted a CTS Scheme which set a liability cap of 91.5% for people of working age. i.e all people of working age had to pay a minimum of 8.5% of their Council Tax. The Government has determined that people of pensionable age should not be adversely affected by these changes and are therefore protected through a 'Prescribed Scheme' that all Billing Authorities are to administer.
- 3.3 Council's have a statutory requirement to consider vulnerable persons within their scheme. This requirement is met through undertaking consultation to inform the CTS scheme, the operation of a local County-wide Discretionary Council Tax Support scheme (DCTS) and using its powers to amend discounts in respect of empty properties to reduce the financial impact of the changes on all Council Tax Support claimants.
- 3.4 The funding for the DCTS for 2013/14 is as set out below:

Total Amount of Scheme	£25,440
Melton share of precept (13.55%)	£3,447
LCC share of precept (71.22%)	£18,118
Police Authority (11.65%)	£2,963
Fire Authority (3.58%)	£910

As at the 31 October 2013 the Council has paid 42 claimants, £3,251 this is a relatively low take-up despite the number of initiatives the Council has undertaken to encourage take up of the scheme.

The scheme is to be reviewed in January/February 2014. Preceptors have agreed that any under-spends can be carried forward to 2014/15 and a decision around further payments from preceptors will be made at this time.

- 3.5 The changes have lead to an increase workload in terms of the administration of the new CTS scheme, from the processing of claims, billing and collection with an increase in the number of customer contacts for both the front and back offices. An agreement has been reached in principle with the precepting authorities to continue with the funding to deal with the increased work through increased calls, recovery action and increased processing of claims. The split of these administrative costs is shown below

Additional Administrative Costs	
Authority	Amount (£)
Melton Borough Council	2,276
Leicestershire County Council	11,966
Leicestershire Police	1,957
Leicestershire Fire	601
Total	16,800

4.0 Key Issues

4.1. Local Scheme for 2014/15

The estimated loss in revenue as a direct implication of the localisation of Council Tax Support for 2014/15 is estimated to be £133,252 This is based on the expected Council Tax Support to be paid in 2014/15 of £2,405,346 and that the Council uses the same Government subsidy figure used in 2013/14 out of this year's revenue support grant allocation: £2,272,094

The table below sets out the expected cost from implementing the scheme for 2014/15.

Cost of Implementing the 2014/15 Scheme	
Funding Reduction	133,252
Administrative Costs	16,800
Proposed grant to Parish Councils	26,211
Total Cost	176,263

The options for meeting the cost of implementing the scheme and for any increases in caseload which would increase costs but is not met by any additional grants from Government are shown below:

Income to meet costs of the scheme				
	8.5% Liability Cap	10% Liability Cap	12% Liability Cap	15% Liability Cap
CTS reduction	97,751	115,001	138,001	172,501
Technical Changes to Council Tax	270,672	270,672	270,672	270,672
Less losses due to non-collection (20%)	73,685	77,135	81,735	88,635
Total Income	294,738	308,538	326,938	354,538
Total scheme cost	176,263	176,263	176,263	176,263
Surplus	118,475	132,275	150,675	178,275

Split of Surplus among preceptors.

Surplus	118,475	132,275	150,675	178,275
Leicestershire C.C.(70.84%)	83,928	93,704	106,739	126,290
Melton B.C. (13.68%)	16,207	18,095	20,612	24,388
Fire Authority (3.89%)	4,609	5,145	5,861	6,935
Police Authority (11.59%)	13,731	15,331	17,463	20,662

Average Council Tax to be paid by CTS claimants (previously receiving 100% Council Tax Benefit)

Based on the above proposed CTS liability caps, the maximum amount paid by those who would have otherwise been entitled to 100% support is:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
8.5%	86.30	100.68	115.06	129.45	158.21	186.98	215.75	258.89
10%	101.53	118.45	135.37	152.29	186.13	219.98	253.82	304.58
12%	121.83	142.14	162.44	182.75	223.36	263.97	304.58	365.50
15%	152.29	177.67	203.05	228.44	279.20	329.96	380.73	456.87

Assuming a 25% reduction in Government Subsidy Figure

The Government has indicated that the cut in Melton's Revenue Support Grant (RSG) for 2014/15 is 25%. If this reduction was passed on to reduce the Government Subsidy figure for 2014/15 the amount of subsidy would reduce from £2,272,094 to £1,704,071. Against an estimated Council Tax Support payment in 2014/15 of £2,405,346 this leaves a loss in revenue of £701,275. The impact of this deficit is shown below:

Cost of Implementing the 2014/15 Scheme	
Funding Reduction	701,275
Administrative Costs	16,800
Proposed grant to Parish Councils	26,211
Total Cost	744,286

Income to meet costs of the scheme				
	8.5% Liability Cap	10% Liability Cap	12% Liability Cap	15% Liability Cap
CTS reduction	97,751	115,001	138,001	172,501
Technical Changes to Council Tax	270,672	270,672	270,672	270,672
Less losses due to non-collection 20%)	73,685	77,135	81,735	88,635
Total Income	294,738	308,538	326,938	354,538
Total scheme cost	744,286	744,286	744,286	744,286
Deficit	449,548	438,748	417,348	389,748

Split of Deficit among preceptors.

Deficit	449,548	438,748	417,348	389,748
Leicestershire C.C, (70.84%)	318,460	310,809	295,649	276,097
Melton B.C. (13.68%)	61,498	60,021	57,093	53,318
Fire Authority (3.89%)	17,487	17,067	16,235	15,161
Police Authority (11.59%)	52,103	50,851	48,371	45,172

Amount of Council Tax Reduction required to 'break-even'

Based on a reduction of 25% grant in the Government subsidy, the CTS liability required for Working Age CTS claimants to 'break even' would be 47.85%. –i.e. the maximum that could be received in CTS is 53.15% of the Council Tax charge compared to the 2013/14 figure of 91.5%.

- 4.2 The CTS scheme at Appendix A is based on the scheme approved by members on 12 December 2013 – with the following amendment:
- The liability cap has been amended from 91.5% to 88%
- 4.3 To support CTS claimants from increased Council Tax charges and to meet the Council's aim of "providing a stock of housing accommodation that meets the needs of the community by bringing empty properties back into use", the Council will continue to administer Council Tax discounts for empty properties as decided by Full Council on 12 December 2012, which came into force on 1 April 2013:

- Empty and unfurnished properties requiring major repair or structural alteration (formerly Class A Exempt properties)– 50% discount for a period of up to 12 months
- Empty and substantially unfurnished properties (formerly Class C exempt properties) – 100% discount for up to one month
- Long Term Empty Properties – 150% empty homes premium where a property has been empty for two years or more
- Second Homes – 0% discount

The impact of these changes includes that at the time of annual billing in March 2013, there were 77 properties that had been empty and unfurnished for more than 2 years. This figure is now 39. Although there were some initial concerns from letting agents regarding the changes to the Class C exemptions, the Council has worked closely with the letting agents mostly affected to implement the changes.

No recommendation is made to change the above for 2014/15.

4.4 When making changes to a localised CTS scheme that increases the financial impact on claimants, the Council must consider a transition scheme to mitigate the impact. The table below shows the impact of the proposed Liability caps for 2014/14 for those people who would have been entitled to a 100% reduction under the Council Tax Benefit legislation.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
8.5%	86.30	100.68	115.06	129.45	158.21	186.98	215.75	258.89
10%	101.53	118.45	135.37	152.29	186.13	219.98	253.82	304.58
12%	121.83	142.14	162.44	182.75	223.36	263.97	304.58	365.50
15%	152.29	177.67	203.05	228.44	279.20	329.96	380.73	456.87

The increase to a 12% cap from the 8.5% cap for a Band A property is £35.53 (68p per week); Band B property is £41.46 (80p per week) and Band C is £47.38 (91p per week). As 91% of all CTS claimants live in a Band A; B or C property and the proposed increase for these claimants is less than £1 per week, and that the Council has in place a Discretionary Council Tax Support fund for those facing severe financial hardship a transition scheme is not required.

5.0 POLICY AND CORPORATE IMPLICATIONS

5.1 The CTS scheme will have a direct impact on the following goals identified in the Corporate Plan.

- Support people and businesses through the economic downturn
- Improving the wellbeing of vulnerable people
- Meet the economic needs of Borough
- Improve life for people living in the most disadvantaged neighbourhoods

The CTS scheme is part of a wider Local Government Finance Review and links clearly with the Governments aim of reducing dependency on benefits and creating an incentive to work through encouraging all people to be better off through working rather than on benefits. This links with other work being undertaken in the Council, to reducing the barriers for people in getting back into work and to work with partners in finding employment for people (e.g. Sainsbury's) and to improving financial inclusion through supporting people to improve their financial management. The Government has

encouraged Local Authorities to utilise the new powers being given to minimise the impact of these changes and the Council has achieved this through the proposed technical Changes to Council Tax.

Going forward the Council will be investigating how the scheme could be adapted to further encourage people back into work, people to take greater responsibility and to include incentives to people to aid an increase in collection rates.

6.0 FINANCIAL & OTHER RESOURCE IMPLICATIONS

- 6.1 The Government grant awarded to Billing Authorities that met criteria laid down by DCLG for their schemes in 2013/14 has been removed for 2014/15. The amount of this grant was £55K of which MBC proportion was £8K.

Parish Precepts

- 6.2 In 2013/14 as part of the Government's grant settlement, the Council was given an identified sum of money that, at the discretion of Billing Authorities, could be passed on to Parish Councils. The reason for this grant was to protect Parish Councils from the impact that the CTS scheme would have by reducing the tax base for each Parish Preceptor. The effect of this change was that if the Parish Preceptors levied the same amount on their community as in 2012/13, their proportion of the Council Tax bill would increase.

To support Parish Councils, Melton Borough Council awarded funding on the basis that no Parish Council would be in a no worse financial position because of the legislative changes. Two workshops were held for Parish Councillors and Clerks to explain the changes and the action the Council was intending to take. This was confirmed in a letter stating the amount of grant and what Parishes should do to maintain the 2012/13 situation. Copies of the presentation were also provided to help Parish Councils with their decision-making process.

The increases/decreases in the Parish Council element of the Council Tax bill range from a reduction of 30.79% to a 90.88% increase. 8 preceptors reduced their Council Tax element from 2012/13 and 5 preceptors increased their portion of the Council Tax by more than 10%

The Council is aware that Parish Council representatives have been contacted by the Government stating that funding has been provided to Billing Authorities for Parish Councils. For 2013/14, as part of the overall RSG, the Government has not specified a sum that Billing Authorities could pass down to Parish Councils. As Members are aware, the RSG for Melton for 2014/15 has been reduced by 25%. It is recommended therefore that the amount of grant given is reduced by 25% of the funding each Parish Council received in 2013/14. Parish Councils were given notice at the workshops in January that this would be an option that the Council would consider once the funding settlement was known.

Collection Rates

- 6.3 A risk identified in the report to full Council last year identified a drop in collection rates. The overall Council Tax collection rate as at 31/10/2013 was 67.46% compared to 68.08% in 2012/13 but is matching the target collection rate of 67.48%

Collection rates for CTS cases specifically indicate that they will be at 80%

Assistance to Council Tax Support Claimants

6.4 The Council has taken a number of measures to support CTS claimants affected by the changes both prior to and post 1 April 2013. These include

- Letters to claimants to advise them of the changes and the impacts of this on them and to take part in the consultation for the year 1 scheme (First letter went August 2012)
- Articles in the In Touch magazine advising tenants of the introduction of CTS – what it is, how it might affect tenants and help that is available to them
- Campaign of ringing and visiting claimants affected during February/March 2013 to advise of the support available to them.
- Written to all claimants affected in August 2013 inviting them to take part in the consultation for the year 2 scheme and to make an application for Discretionary Housing Payments and Discretionary Council Tax Support to help with their situation
- Produced a 'How to make the most of your money' leaflet which provides information, advice and guidance on issues such as Money/Home and Job – leaflet has been widely distributed and used by DWP staff when talking to their clients
- Ongoing support by Council Staff when dealing with people affected including signposting to partners such as CAB/ Money Advice Services/ Clockwise as appropriate.
- Welfare Advice Day in February 2013 – working in conjunction with Leicestershire County Council and a number of partners, an advice session was put on to explain the impact of the welfare reform changes together with energy audit information, money management advice, educational advice, Adult Learning Course available
- A total of £3K has been paid out to Council Tax payers suffering from financial hardship from the Discretionary Council tax Support Scheme.
- Obtained money from Melton Safer Community Partnership to provide a worker at Clockwise to support people affected by the Welfare Reform changes
- Presentations to organisations who would have people affected by the bedroom tax as their clients –e.g Vulnerable Adults group, Locality Based partnership, Voluntary Sector.
- Welfare Advice Road show held at MBC Offices in September 2012 for members and other organisations working in the Melton Borough area

The Council will continue to work to support vulnerable people and we are looking to develop our targeted support to claimants to improve how we can make early interventions to prevent claimants getting into financial problems. The reorganisation of the Communities and Neighbourhood department including the expansion of the Supporting Leicestershire Families team will help develop this support still further.

6.5 The major preceptors are expected to agree to a carry forward of any unspent Discretionary Council tax Support Scheme into 2014/15. If this scheme, which supports support those in the most severe financial difficulties, requires additional funding for 2014/15 this is likely to be in accordance with the 2013/14 figure of £25,440. Melton Borough Council's contribution in this scenario will be £3,447.

6.6 The implications to the Council are that there will be an increased workload in terms of increased contacts, especially from those people who currently pay no Council Tax and increased recovery activity and costs. To meet this increase, Districts and Boroughs in Leicestershire are working with preceptors to provide additional funds. The proposed increase is the equivalent of a 0.75 FTE amounting to £16,800. Melton's proportion of this cost would be £2,280.

7.0 LEGAL IMPLICATIONS/POWERS

- 7.1 The Local Government Finance Act 2012 imposed a duty on billing authorities to make a localised CTS 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.
- 7.2 Billing Authorities are required each financial year to consider whether it wants to revise or replace its scheme.
- 7.3 Any adverse impact of a local scheme on a particular group of people, may be subject to a legal challenge by that group or their representatives

8.0 COMMUNITY SAFETY

- 8.1 The Safer Melton Partnership was advised on 9 November 2012, of the implications of the changes to CTB (and other wider Welfare reform changes) and were concerned about the potential impact on crime in the Melton area. To help support work currently being undertaken by the Council and partners, the partnership agreed to fund £5,000 towards producing a leaflet which draws to together support for vulnerable people and for support for Clockwise Credit Union to deal with the increase in numbers of people seeking support from 1 April 2013.

9.0 EQUALITIES

- 9.1 The CTS scheme for Year 2 does not seek to discriminate against any particular group as there will be a requirement for all current claimants to make a contribution towards their Council Tax. A discretionary fund scheme has been set up to help support any vulnerable person who is experiencing severe financial difficulties.

The Equalities Impact Assessment undertaken for the introduction of the CTS will be updated to include the outcomes from the recent consultation exercise. The previous EIA showed that the proposed scheme does not discriminate against any particular group. As everyone will have to pay something, the impact has been shared across all groups, with no particular group being adversely affected. The discretionary discount scheme also provides support to those facing the most severe financial hardship. The proposed scheme also seeks to protect claimants by not making amendments to the current scheme which could have adversely affected particular groups; i.e removal of premiums related to disabilities such as the Disabled Child Premium.

10.0 RISKS

Collection Rates

- 10.1 The impact on the 2013/14 collection rates has been as anticipated. However, this has been partly due to engaging additional resources to help with recovery action. Without this funding and the additional staff engaged in recovery action, the impact to maintain these levels and to see improvements will be significantly impacted.

Financial

- 10.3 The estimates for the Council Tax liability cap have been made on the basis that the Government has said that Councils should use the 2013/14 grant allocation for 2014/15. If this level of grant is reduced, then the amount of cut in the 'liability cap' will have to significantly increase with individual CTS claimants having to pay a significantly higher Council Tax.

Social

- 10.4 The changes together with the other Welfare Reform changes could have an adverse impact on the financial situation of claimants and their quality of life. Work is ongoing with partners to improve access to training, developing skills and enabling people to become work ready. A discretionary fund has been agreed for year 2 with the preceptors to support those in most severe financial difficulties. This fund will be closely aligned with the Discretionary Hardship Fund provided for claimants having difficulties with their housing costs and with the Local Welfare Provision (previously Social Fund).

Legal Challenges

- 10.5 Interest groups may decide to make a legal challenge against the proposed CTS Scheme. This has been mitigated by adopting a scheme in line with the Government guidelines, and working with partners across Leicestershire and with relevant professional bodies.

11.0 CLIMATE

- 11.1 There are no climate change issues arising from this report.

12.0 CONSULTATION

- 12.1 The major part of the public consultation has been through a web-based approach undertaken through joint working with other Leicestershire Local Authorities and Rutland County Council. The first phase of the consultation started on 26 August 2013 and ended on 7 October 2013.

A number of actions have been undertaken to publicise and encourage participation in the consultation:

- All current CTS claimants were contacted and invited to take part in the consultation
- All Council tenants were invited to take part in the consultation through an article in the In Touch magazine
- A Press release was sent out to all the major media outlets covering the Melton Borough Council area
- 2 twitter messages were posted per week during the consultation period. One was targeted at current and potential claimants and the other to organisations/support groups/families working with or who know someone who is affected by or maybe affected by the scheme.
- Invitation to Voluntary Action Leicestershire (and the organisations they represent) invited to take part in the consultation
- All major organisations/groups working with vulnerable people invited to take part in the consultation
- Consultation details prominently sited on the Council website
- Posters displayed in the Children Centres
- Staff encouraging take up of the consultation exercise as appropriate

Highlight data

63 (102 in 2012) responses were received. This is considered acceptable for this type of consultation and is consistent with the numbers received across Leicestershire despite our lower caseload.

- More females than males responded

- The 45-54 age group provided the greatest response
- 92% described themselves as White British
- 31.7% of those responding said they were disabled or had a long-term limiting illness or condition.

Summary of responses

- **63.5% (54.90% in 2012)** said that everyone apart from pensioners should pay something towards their Council Tax **33.3%** (36.27%) said no
 - **75% (56.86%)** said that everyone (apart from pensioners) should pay a minimum of 10% towards their Council Tax **15%** (38.24%) said no.)
 - **30.8% (34.31%)** said everyone (apart from pensioners) should pay a minimum of 15 % (20%) towards their Council Tax (51.3%) said no.
 - **43.5% (44.12%)** said people who receive CTS who are living in more expensive properties should get less council tax support 50% (40.20%) said no.
 - **39.7% (50%)** thought it fair to increase the current taper from more than 20p for every £1 in income. 42.9% (41.18%) said no.
 - **27% (51.96%)** said that people with less than £16,000 savings should be asked to use these savings to pay their Council Tax 66.7% (39.22%) said no.
 - **84.1% (80.39%)** said the Council should protect the most vulnerable people from paying more 12.7% (6.86%) said no.
- The top 3 groups of people considered being the most vulnerable in the Melton Borough area were (2012 figures in brackets)

- 1 (2) People who get higher or middle rate disability living allowance
- 2 (1) People who are re-housed because they are homeless
- 3 (4) Lone parents with children under the age of 5

Consultation with major preceptors

The major preceptors are key stakeholders for the introduction and development of the CTS scheme. They are represented on the Leicestershire Treasures Association and operational groups and have been fully involved in the development of the scheme. This has led to the preceptors accepting the proposals in terms of the scheme and for the funding associated with the scheme, discretionary fund and administrative costs.

District Authorities

Although no schemes have been approved by their respective Councils, it is expected that the CTS Liability Caps across the County will be:

Harborough	-	15%
North West Leicestershire	-	15%
Hinckley & Bosworth	-	12%
Charnwood Borough Council	-	15%
Oadby and Wigston	-	15%
Blaby	-	15%

Budget & Strategy Planning Working Group (BSPWG)

Two papers were presented to the BSPWG on 7 November 2013. The first paper gave options for the proposed CTSS liability cap for 2014/15 of 8.5%; 10%; 12% and 15% (see 4.1. above). The BSPWG recommended the 12% option be out before this Committee.

The second paper concerned the proposed grant to be passed to Parish Council. The recommendation from the BSPWG to this committee was a 25% reduction of the grant awarded to Parish Councils in 2013/14 in line with the 25% indicative reduction in Melton's RSG for 2014/15.

Parish Councils

The Parish Council representatives were advised of the proposed 25% reduction in their Council Tax Support grant for 2014/15, at the Parish Council Liaison meeting on 18 November 2013. No questions were received from the Parish Council representatives at the meeting. All Parish Councils were advised of their proposed grant and tax base for 2014/15 in an email on 19/11/13.

13.0 WARDS AFFECTED

13.1 All wards are affected.

Contact Officer: Martyn Bowen

Date: 01 November 2013

Appendices: Appendix A: Local Council Tax Support Scheme

Background Papers: Local Government Finance Act 2012
The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012
The Council Tax Reduction Schemes (prescribed Requirements) (England) Regs 2012