



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	6 DECEMBER 2012
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	LOCALISATION OF COUNCIL TAX SUPPORT 2013/2014 SCHEME
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report seeks approval of the final scheme following consultation with both the major preceptors and public.

2.0 RECOMMENDATIONS

2.1 That members recommend to Council

- (i) a Local Council Tax Support Scheme for 2013/2014 which replicates the existing Council Tax Benefit scheme and accepts the Government's transitional funding, with the following changes:
 - (a) Maximum Eligible Council Tax Support of 91.5%; and
 - (b) Removal of the Second Adult Rebate;
- (ii) to commit to remove the 10% second homes discount and make changes to exemptions as part of the 2013/2014 budget strategy of at least £153k to mitigate the Government cut in Council Tax funding, the detail of which being determined as part of the budget setting process; and
- (iii) to authorise the Corporate Director in consultation with the Chairman of Policy and Resources Committee to undertake the necessary consultation work to design a scheme for 2014/2015, in light of the experience in 2013/2014, to be presented to Policy and Resources Committee in December 2014.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council must approve a scheme of its choice for 2013/2014 or the default scheme will apply. The default scheme simply replicates the existing Council Tax Benefit Scheme and therefore does not provide any savings to offset the 10% reduction in funding being provided as the responsibility for costs passes from Government to precepting bodies.

4.0 SIGNIFICANT RISKS

- 4.1 The major risk to the Council of the proposal is in the possibility of legal challenge to the scheme. The Council has ensured that the new scheme is fully compliant with the requirements and that the consultation has been properly undertaken.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The Council will need to approve a Local Scheme for CTS.

6.0 REPORT DETAILS

- 6.1 At Council on the 12 July 2012 members considered a recommendation and report from the Policy and Resources Committee proposing the parameters for consultation with the Major Precepting Authorities. At that meeting members resolved:

That the report be received and that Council approve:

- (i) The preparation of a scheme for 2013/2014 Council Tax Support for consultation with the major precepting authorities which incorporates:
 - 1. Maximum Eligible Council Tax Support of 80%
 - 2. Removal of the Second Adult Rebate
 - 3. A maximum Band D property restriction for all working age claims
 - 4. An assumption that all preceptors contribute proportionately to any additional collection costs
 - 5. An assumption that all preceptors contribute proportionately to the establishment of a Council Tax Support Hardship fund.
 - (ii) That any shortfall in funding to meet the total cut in Government funding, having implemented the above, is met through reductions in Council Tax discounts as part of the 2013/2014 budget strategy process;
 - (iii) That a further report and scheme for public consultation is presented to Council on the 6 September 2012 taking into account the comments of the major preceptors.
- 6.2 These proposals were in response to the abolition of Council Tax Benefit and billing Authorities having to establish their own schemes for Local Council Tax Support. The funding provided to Local Authorities nationally taking on this cost has been cut by over 10%. Within the new schemes pensioner claimants are protected and will not see any changes to their benefit calculation.
- 6.3 Council on the 6 September 2012 resolved:
- That Council approve a six week public consultation on a scheme for 2013/2014 Council Tax Support which incorporates:
- (i) Maximum Eligible Council Tax Support of 80%;
 - (ii) Removal of the Second Adult Rebate; and
 - (iii) A maximum Band D property restriction for all working age claims.
- 6.4 The public consultation took place between 17 September and the 29 October 2012.
- 6.5 On the 15 October 2012 the Government Announced additional transitional funding of £100m 'for one year to support Local Authorities in developing well-designed council tax support schemes and maintain positive incentives to work'.
- 6.6 The grant is payable in March 2013 to those authorities who fulfil the following criteria:

- Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
- The taper rate does not increase above 25%; and
- There is no sharp reduction in support for those entering work.

6.7 Clearly the grant offer coming late into the process, with Authorities working off the statement of intent, awaiting the formal passing of the legislation has complicated the issue significantly. The late announcement may also preclude further meaningful consultation.

6.8 The grant is worth the following should Ryedale meet the criteria outlined above, as is recommended:

Major Preceptor	2013/2014 Transition Grant
Ryedale District Council	10,966
North Yorkshire County Council	55,276
North Yorkshire Police Authority	10,692
North Yorkshire Fire and Rescue	3,246
Total	80,180

6.9 The Council proposed to use new flexibilities and freedoms on the levels of Council Tax Discounts and Exemptions in order to bridge the gap in funding (10% of the total cost of Working Age and Pensioner Claimants). The following can be considered:

- Reduction/Removal of the 10% second homes discount (annual value for all preceptors c£115k)
- Reduction/Removal of the Class A (Structural Repairs) exemption, currently 100% for 12 months (annual value for all preceptors c£58k)
- Reduction/Removal of the Class C (Empty and Unfurnished) exemption, currently 100% for 6 months (annual value for all preceptors c£513k)
- Removal/Reduction of the Class L (Mortgagees in possession) exemption, currently 100%, open ended (annual value for all preceptors c£9k)
- Increasing the Charge to Long term Empty properties (those empty over 2 years) to up to 150%. Implementing this is thought unlikely to generate any additional funding.

6.10 The cut in funding reduces the Council Tax Base, reducing the discounts and exemptions above has the effect of increasing the Council tax base and the Council also receives a direct grant in 2013/2014, the consultation earlier this year indicated a grant figure for RDC of £346k.

6.11 Work on the draft 2013/2014 Council Tax base has been undertaken to enable all major preceptors to prepare their budgets. In line with the Council resolution in July changes to discounts and exemptions of net less than £268k must be made to cover the loss to RDC of taking on the responsibility. Whilst members will have views on which of the discounts and exemptions should change, the final decision will be considered as part of the budget.

6.12 Clearly the decision to go further than the recommendation in terms of changes to discounts and exemptions could be undertaken, which could eliminate the need to pass on any cut to benefits claimants. The following table sets out the position:

	Current Recommendation	No Benefit Cuts
Maximum Liability	91.5%	100%
Required Changes to Discounts and Exemptions	£268k	£505k
Total discounts and Exemptions	£695k	£695k

There would be no increased administration costs if no benefits cuts are made. Likely admin costs plus new burdens funding are both uncertain at present.

- 6.13 The issues for Parish Councils are complicated and the Government on the 26 November 2012 decided on which of two options for dealing with the impact on the Council Tax base and associated impact on parish precepts. Their choice, not that favoured by the majority of billing authorities, is that Authorities must produce an individual tax base for each district after adjusting for the cost of the scheme and changes to discounts and exemptions. The District Council then receives an additional grant, estimated in the consultation at £61k, which it may distribute to the parishes. Clearly this very recent announcement is the subject of ongoing work and further detail may be available at the Committee and Full Council. The final confirmation of the level of this grant is expected as part of the local government finance settlement now expected on the 19 December 2012, only 10 weeks before the Council sets the Council tax, including the parish precepts.
- 6.14 Significant work across the District Council has been undertaken on this project:
- The scheme production has been undertaken jointly with consultancy support.
 - Detailed Equalities impact assessment has been undertaken jointly with consultancy support.
 - Council Tax Base Estimation has been undertaken with consultancy support.
 - Major Preceptor Consultation has been undertaken jointly.
 - Detailed discussions with the Software supplier, Northgate, have taken place with all of the districts currently using the same software.
- 6.15 The Council has undertaken public consultation contacting key stakeholders as well as directly contacting all working age Council Tax Benefit claimants (current and in the previous 12 months) and through the Council's website. The results of the consultation are attached at Annex A. The key messages of that consultation are:
- Of the 433 responses, 77% were from existing claimants.
 - Just over half (54%) thought everyone of working age should pay something towards their council tax, with 10% charge being supported by 64% of respondents.
 - There was majority support for those in more expensive properties to receive less support.
 - There was majority support for the removal of second adult rebate.
 - There was not support for reducing the savings allowance for claimants.
 - There are a number of open ended 'comments' questions and the responses are available should members want to view them.
- 6.16 Clearly public consultation started before, and was substantially complete, when the unexpected transition grant proposals were announced. In designing a scheme to attract the transition grant the Council is reducing the amount payable by claimants, but still retaining some level of payment which was supported in the consultation.
- 6.17 Whilst there is support for the original Council proposals of a Council Tax banding restriction (originally band D, that is all claims from householders above band D are

assessed as if they were in a band D property), it is not possible to introduce this and still be eligible for the transition grant.

- 6.18 The proposals within this report set a scheme for 2013/2014 only. Authorities are permitted to revise their scheme no more frequently than annually. A scheme for 2014/2015 will be considered during next year in light of experience at the council and nationally.
- 6.19 Members will see that the Council requested financial support from the major preceptor arising from additional collection costs and establishment of a hardship fund. Whilst the revised proposals will potentially reduce these costs, the Council is continuing to negotiate with the major preceptors for a proportionate contribution. It is also likely that additional new burdens funding will be included in the Local Government Grant Settlement, now expected 'late December'. These issues will be considered further when this information is known.
- 6.20 The set up grant of £84k, plus additional financial support from the major preceptors should enable the 2013/2014 scheme implementation including software updates to be accommodated without requiring further funding from Council resources.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

a) Financial

The figures within the report are subject to a number of assumptions. Any risk around the cost of the scheme is shared proportionally between the major preceptors through the collection fund. If the scheme costs more than predicted the collection fund may be into deficit and this would need resolving in the 2014/2015 budget. The recommendations deliver a scheme for RDC which fully mitigates the expected reduction in funding from the Localisation of Council Tax Support, further announcements will be made as part of the Local Government Finance Settlement in December. The freedom and flexibilities over certain Council Tax discounts and exemptions may provide the Council with the opportunity for further income generation.

b) Legal

The scheme will be a detailed legal document of the Council and it may be open to legal challenge.

c) Other

There are significant equality issues around the protection of vulnerable which have been taken into account as part of the scheme design. A full Equality Impact Assessment has been completed.

Paul Cresswell
Corporate Director (s151)

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.cresswell@ryedale.gov.uk

Background Papers:

Consultation Paper "Localising support for council tax in England"
<http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf>

Statement of Intent:

<http://www.communities.gov.uk/publications/localgovernment/localisingsupportcounciltax>

The funding consultation:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

The Transition Grant Scheme:

<http://www.communities.gov.uk/publications/localgovernment/localtransitionalgrant>