

Decision maker: Cabinet – 3rd December 2012
City Council – 11th December 2012

Subject: Council Tax local scheme

Report By: Head of Revenues & Benefits
Head of Finance & S151 Officer

Wards affected: All

Key decision (over £250k): Yes

Forward Plan: Yes

1. Purpose of report

The purpose of this report is for Council to approve, for implementation on 1st April 2013:

- 1) Portsmouth City Council's local scheme for Council Tax Support and associated Hardship fund;
- 2) Portsmouth City Council's policy for discounts for empty homes (to replace the existing Class A and Class C exemptions), long term empty homes and second homes.

2. Recommendations

Cabinet agree & recommend the following to Council:

- i. **The Council Tax Support local scheme for Portsmouth be implemented from 1st April 2013**
 - **The scheme will use the standard DWP allowances/premiums/disregards (these are subject to uprating every April, however the rates for 2013/14 are not known at this time. Once known, the Head of Revenues & Benefits will amend these figures in the policy)**
- ii. **The introduction from 1st April 2013 of a Hardship fund to provide support to households in financial difficulty due to a reduction in the Council Tax Support they receive;**
- iii. **The policy for discounts and exemptions for empty homes and second homes be implemented from 1st April 2013;**
- iv. **The results of the public consultation on the Council Tax local scheme are noted.**

3. Background

Council Tax Benefit (CTB) will be abolished from 1st April 2013 as laid down in the Welfare Reform Act 2012 to be replaced by a local Council Tax Support scheme.

The Local Government Finance Act 2012 reduces the related grant funding by over 10% (equivalent to about 2% of current Council Tax charged), which has to be taken into account when developing the Council Tax local scheme. The Act prescribes that pensioners currently receiving Council Tax Benefit will not see any decrease in the support they receive. Further, Local Authorities (LAs) must take account of their duties with regard to equalities, disabled people and child poverty and they must also take account of work incentives.

Based on current data and taking into account growth estimates, the shortfall in Council Tax support compared against Council Tax Benefit would be £1.87million.

A local scheme must be published by 31st January 2013 otherwise central government will impose a default scheme, which would mirror the current CTB scheme. This would create a shortfall of £1.87million in Council Tax income.

In addition, the Act allows LAs to set discounts & exemptions on empty properties and second homes. There is no requirement to consult on the changes to discounts & exemptions. See Appendix 2 for details.

The potential options for funding the £1.87million shortfall were:

1. Make zero recovery through Council Tax, and reduce expenditure in other Council services;
2. Increase Council Tax income to recover the shortfall from taxpayers;
3. Recover the shortfall from taxpayers who are currently in receipt of Council Tax Benefit.

In all three options the recovery requirement on taxpayers can be reduced through additional income from changes to discounts & exemptions on empty homes.

Option 3 was determined to be the most suitable because:

- I. It is not practical to reduce other Council services further, where they are already under severe pressure to find savings;
- II. The Council would need to determine where to place the burden of recovery of the loss in grant income
- III. The shortfall can be mitigated by the additional income from changes to discounts on empty homes.
- IV. The pressure on Council Tax rates would be amplified –
 - Pensioners must receive the same level of Council Tax support as they receive now;
 - Any increase in Council Tax rates produces a significant proportionate increase in the requirement for Council Tax support.

A local scheme was developed with the nominated Panel, of Councillors Gerald Vernon-Jackson, Hugh Mason & Eleanor Scott, to determine how the allocation of the available funds could be made and where savings could be achieved. The selected scheme is detailed at Appendix 1.

Portsmouth City Council held a public consultation on the scheme from 2nd October 2012 to 16th November 2012. There were no compelling reasons given in the responses received that would give cause to alter the scheme itself.

However, due to the evidence that a number of households would fall into financial difficulty in relation to a reduction in their Council Tax Support, a hardship fund will set up. This will protect the most vulnerable households in receipt of Council Tax Support, with a total fund for 2013/14 of £200,000. This will be offset by a reduction in the anticipated loss through write offs.

The purpose of the fund would be to ensure that a level of protection and support is available to those applicants who are in need and require additional financial assistance. This fund would be made available where an applicant was in receipt of council tax support but the level of support being paid did not meet the full council tax liability and they were in financial hardship. Any payment made would be at the discretion of the council and each case would be considered under its own merits.

See Appendix 3 for details of the consultation.

4. Timetable to implementation

- Consultation with the precepting authorities (Hampshire Police and Hampshire Fire & Rescue) is done
- Portsmouth's local scheme was published & consultation took place from 2nd October to 16th November 2012

DATES	ACTIVITIES
3 rd December 2012	Cabinet – recommendation
11 th December 2012	Full Council – Member approval
December 2012 – February 2013	Develop Final Scheme Test Software
31 January 2013	New scheme publication deadline
February / March 2013	Implementation & Council Tax annual billing
1 April 2013	New Council Tax local scheme commences

5. Consultation period

5.1 Additional funding offer from DCLG

In October, the Department for Communities and Local Government published a scheme to provide an additional £100m for Council tax support. Details can be found on the Parliament website at

http://www.parliament.uk/documents/commons-vote-office/October_2012/16-10-12/4.DCLG-local-government-finance.pdf

This is a voluntary scheme for 2013/14 only. It was calculated that if Portsmouth were to take its share of £100million, at £347K, then meeting the conditions stated by DCLG would require funding by the Council at around £786K. This would mean that PCC would incur around £439K additional cost.

This is primarily due to DCLG's 1st condition (see below): protecting people who would get 100% support based on the current Council Tax Benefit scheme, so that they would pay no more than 8.5% of their liability.

Portsmouth's scheme requires that they pay at least 20% of their liability.

Because of the substantial additional cost, it was not possible to take up this ancillary scheme.

5.2 Consultation summary

There appears to be no majority view either in favour or against the proposals.

There was a split of around 50/50 of respondents who either agree or disagree with the overall proposed local council tax support scheme.

Analysis of responses shows the areas where there were more than 60% of respondents who agree or do not disagree are:

- People should be encouraged to work by increasing all earned income disregards by £10.00;
- Reduce backdating to 3 months;
- Non dependant adults should contribute more towards the council tax bill
- A minimum non- dependant deduction should be applied for those adults receiving income based job seekers allowance, income support, or income related employment support allowance;
- The remaining elements of the council tax benefit scheme will remain the same within the new proposed local council tax support scheme.

Analysis of responses suggests the areas where there were less than 60% of respondents who agree or do not disagree with the proposed local council tax support scheme:

- All council tax support customers (excluding those classed as disabled and those who have a limited capacity for work) make a 20% contribution to their council tax;
- Increasing the income taper to 25% (excluding those classed as disabled and those who have a limited capacity for work).

There were 5 responses made by organisations (Portsmouth City Council (PCC) money advice, an unstated PCC department, an unknown charity and 2 unstated organisations), and their response was broadly similar to the overall findings.

From the comments made by both residents and organisations the main area of concern is the added financial pressure for residents who are on a low income.

5.3 Hardship fund

Due to the evidence that a number of households would fall into financial difficulty in relation to a reduction in their Council Tax Support, a hardship fund will set up. This will protect the most vulnerable households in receipt of Council Tax Support, with a total fund for 2013/14 of £200,000. This will be offset by a reduction in the anticipated loss through write offs.

The purpose of the fund would be to ensure that a level of protection and support is available to those applicants who are in need and require additional financial assistance. This fund would be made available where an applicant was in receipt of Council Tax Support but the level of support being paid did not meet the full council tax liability and they were in financial hardship. Any payment made would be at the discretion of the council and each case would be considered under its own merits.

See Appendix 4 for details of the Council Tax Support hardship scheme.

6. Council Tax local support scheme

For full details, see Appendix 1.

The local scheme and its financial impacts have been calculated by changing specific variables that are used in the CTB assessment. The scheme is designed to take account of Local Authority duties. The recommended changes are:

- 1) Support to be capped at a maximum of 80% of council tax liability for working age claims, excluding those defined as disabled.
 - a. Capping at a maximum of 80% of council tax liability means that everyone, excluding those claimants defined as protected, will be required to pay towards their council tax. CTB can be awarded at 100% of the council tax bill.
 - b. The effect of this change is substantial in comparison to other changes. It is based on the principle of sharing the reduction in support across the widest group possible under the rules of the scheme, so that other than

pensioners & disabled, everyone will be paying something towards their council tax charge.

- 2) Increase earned income disregards for working age claims by £10.00 per week.

This disregard reduces the amount of earned income used in the assessment of Council Tax Benefit. A £10 per week increase will offset the increase in the income taper and give an incentive to work. Currently the values are:

 - i. Lone Parent: £25
 - ii. Disabled, Long Term Sick, Carers & Special Occupations: £20.00
 - iii. Couple: £10.00
 - iv. Single: £5.00
- 3) Increase the income taper to 25% for all working age claims, excluding those defined as disabled.
 - a. If a CTB customer's weekly income is more than his or her applicable amount (applicable amount is the value that is deemed by Government to be the weekly amount required for living expenses, excluding rent & Council Tax). The difference between the two is known as 'excess income' or taper. For CTB the taper is 20%.
 - b. A percentage of the customer's 'excess income' is assumed to be available to contribute towards their council tax liability.
 - c. The percentage taper results in a balanced withdrawal rate and with the taper at 25% (Universal Credit will be 65%) this avoids Council Tax support creating a disincentive to work.
- 4) Non-Dependant charges increased by 15% for all working age claims.
 - a. For Council Tax Benefit, it is assumed that other adults in the claimant's home will contribute towards the council tax bill, which results in a lower amount of CTB being given.
 - b. Introducing a minimum charge for non-dependants in receipt of income support, income based job seekers allowance or income related employment support allowance builds on the principle that everyone in the household should contribute. Currently no charge is made for these adults under council tax benefit
- 5) Maintain the extended payment provision.

Where certain qualifying conditions are met 4 weeks additional benefit is paid when a claimant comes off benefit and starts work. This provides incentive for those seeking work.
- 6) Child Benefit & Child Maintenance to continue to be disregarded.

By disregarding these from income used to determine what Council Tax support should be awarded, this will help to protect against child poverty.
- 7) Maintain support for families with children and lone parents.

Additional allowances and premiums for children and families are granted under the Council Tax Benefit scheme. These will continue under the local scheme.

8) Fostering payment income to continue to be disregarded.

Foster carers and Kinship carers that receive fostering payments (paid by a LA, voluntary organisation or Primary Care Trust) have this income disregarded in full when calculating entitlement to Council Tax Benefit. This continues under the local scheme.

9) Maintain protection for Carer's who have Council Tax liability.

A carer claiming Council Tax Benefit receives some protection by receipt of Carer's Allowance, should they meet the qualification criteria. This continues under the local scheme.

10) Maintain allowances and premiums given to a care leaver

The allowances and premiums given to a care leaver under the Council Tax Benefit scheme are the same as for a non-care leaver. This will continue under the local scheme.

11) Maintain income disregard for war pension scheme and armed forces compensation scheme.

Council Tax Benefit regulations currently disregard £10 per week for war pension scheme and armed forces compensation scheme – under the Council's local scheme this balance will still be disregarded.

12) Set backdating at 3 months for all claimants.

This will mean all Council Tax support claimants will have the same period of backdating for late applications.

TABLE 1 – EFFECT ON CLAIMANTS

	Pension Age Customers	Working Age "Passported" Customers *	Working Age Disabled Customers **	Working Age Other Customers ***	Total
Number of CTB claimants	8,250	6,220	2,400	3,130	20,000
Average weekly CTB now	£14.18	£15.00	£14.84	£11.51	£14.10
Average weekly Support – new scheme	£14.18	£11.83	£14.86	£9.48	£12.89
Average weekly increase in Council Tax payable	£0	£3.17	-£0.02	£2.03	£1.35
Change as a %	0%	21.1%	-0.1%	17.6%	8.6%

* Working Age "Passported" – people under the age to qualify for pension credit, and are in receipt of a DWP income related benefit that automatically qualifies them for the maximum council tax support available (in this case 80% of liability). "Passported" benefits are Income Based Job Seekers Allowance, Income Support, & Income Related Employment Support Allowance.

** Disabled – A customer, their partner and/or child will be classed as disabled or having a limited capacity for work under the local council tax support scheme if they are not classed as a pensioner and are in receipt of any of the following benefits:

- Disability Premium
- Enhanced Disability Premium

- Severe Disability Premium
- Disability Premium for Dependants
- Enhanced Disability Premium for Dependants.
- Disabled Earned Disregard
- Council Tax Disability Reduction
- Disability Living Allowance (Personal Independence Payment)
- Incapacity Benefit - Long Term Rate
- ESA - Support Component.
- ESA - Work Related

*** Working Age Other – people under the age to qualify for pension credit, are not in receipt of a “passport” benefit, and do not qualify for a DWP benefit that determines disability. Typically these customers are in receipt of earned income, contributions based Job Seekers Allowance, Child Tax Credit, Working Tax Credit.

7. Empty properties & 2nd homes policy

For full details, see Appendix 2.

1. a) For empty and unfurnished properties (Class C), discount is set at 100% for one month. No discount is given after the one month period.
- b) For empty and unfurnished properties undergoing major repair (Class A), discount is set at 40% for the first twelve months. No discount is given after the twelve month period.
2. Long term empty (over two years) properties premium set at 50%.
3. 2nd home discount to stay at the current level of 10%.

8. Cost breakdown

TABLE 2 – EFFECT OF CHANGES ON PORTSMOUTH CITY COUNCIL

<u>Income</u>	
Discount scheme additional income	-£900,000
Reduction for Non-Collection of Council Tax	£418,800
Council Tax local scheme grant	-£12,834,000
Sub Total Income	-£13,315,200
<u>Expenditure</u>	
Council Tax local scheme expenditure	£13,153,000
Hardship Fund	£200,000
Additional administration costs	£61,000
Sub Total Expenditure	£13,414,000
Estimated cost including Precepts	£98,800

8. Equality impact assessment (EIA)

A full Equalities Impact Assessment was undertaken and is held at Appendix 5.

9. Head of legal services' comments

The report raises no legal issues. Full consultation has been undertaken (where necessary) and all decisions tested as against the obligations under the Equality Act 2010 and through a full Equality Impact Assessment.

10. Head of finance's comments

The financial implications associated with the recommendations are contained within the body of the report.

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Signed by:

Appendices:

- Appendix 1 – a) Council Tax Support local scheme policy
 b) Council Tax Support summary
 c) Council Tax Support policy aims
- Appendix 2 – Policy for discounts on empty properties
- Appendix 3 – Consultation summary report
- Appendix 4 – Council Tax Support hardship policy
- Appendix 5 – Equalities Impact Assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: