

CABINET

5 DECEMBER 2012

LOCALISATION OF COUNCIL TAX SUPPORT AND COUNCIL TAX CHANGES

REPORT OF HEAD OF REVENUES

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RECENT REFERENCES:

OS50: Consultation – Council Tax Support and Council Tax Changes, 17 September 2012

EXECUTIVE SUMMARY:

Council Tax Benefit (CTB) will be replaced with a local Council Tax Support Scheme from 2013-14. At the same time Government funding will be reduced. The new Support will take the form of a Council Tax discount. The Government has made clear its intention that no pensioner will be worse off when CTB is abolished. Future eligible pensioners will have the same level of support as existing eligible pensioners.

At the end of last year the Government issued a consultation paper on options relating to the Council Tax liabilities of second home owners and owners of empty properties. The Council is considering options for implementing some of these changes as any income raised could offset some of the cost of the localised Scheme. The Council is faced with implementing some challenging changes and is considering some difficult options.

The Council identified some options for the way forward and carried out a consultation which ran for 12 weeks (20 August to 12 November). The consultation process informed the equality impact assessment.

The Council carried out an appraisal of the options included in the consultation and other options based on matters that arose after the consultation process had started. It is recommended that changes to the level of Council Tax discounts and

exemptions currently awarded to empty properties are implemented. This will support one of the key areas of action within the Community Strategy, that *people have access to housing that meets their needs*. It will also provide a modest additional income that could be used to limit the reduction in financial support to some of the most vulnerable customers in the District.

However, the Council faces a number of difficulties in determining a new local Council Tax Support Scheme. The level of change being implemented across the national welfare benefits system and the many other financial pressures on claimants will impact on individuals. The Council needs to approach change in this area with a good understanding of the impact on those in protected groups and the overall financial impact for the Council.

Accepting the one year transitional grant and maintaining current levels of financial support towards Council Tax will reduce the risk of the Council making only minor improvements to the benefit calculation in 2013/14. The Council will have to make a more informed decision for any changes to the Scheme to come into effect for 2014/15.

RECOMMENDATIONS:

- 1 That officers be instructed to present an update report direct to Council to present:
 - a) the detailed local Council Tax Support Scheme for approval based on the options recommended in this report;
 - b) any changes that may be necessary when the final regulations have been published.

That Cabinet Recommends to Council

- 2 That Council adopts the changes to Council Tax discounts and exemptions in respect of empty properties / second homes as follows:
 - a) abolish the 10% discount awarded in respect of second homes (furnished properties that are no ones main home);
 - b) introduce a discount of 100% for a period of up to twelve months following the abolition of exemption class A for 'uninhabitable' properties (properties where no one lives, are substantially unfurnished and require major repair work or are undergoing major repair work or structural alteration to render it habitable) which are currently awarded for up to twelve months;
 - c) introduce a discount of 100% for a period of up to one month following the

abolition of exemption class C which relates to vacant properties (properties where no one lives which are substantially unfurnished) which can be awarded for up to six months;

d) abolish the 50% discount for properties that remain vacant (properties where no one lives which are substantially unfurnished).

3 That Council adopts the local Council Tax Support Scheme proposed in the report as follows

a) base the new local Council Tax Support Scheme on the existing CTB scheme calculation

b) increase income disregards for working age claimants so that single claimants have the first £10 of earned income disregarded and others have the first £25 of earned income disregarded

c) continue to disregard 100% of certain payments (for working age and pensioner age customers) made under the War Pension and Armed Forces Compensation Scheme.

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DETAIL:

1. Introduction

1.1. Included within the Comprehensive Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013-14, reducing Government financing by 10%. This means that the Council must design its own Scheme for Winchester residents to replace the current national Council Tax Benefit (CTB) scheme.

1.2. At the end of last year the Government issued a consultation paper on options relating to the Council Tax liabilities of second home owners and owners of empty properties. The changes require primary legislation and it is likely that they will come into effect for 2013/14 and subsequent years. If the Council decides to introduce any of these changes the income raised could offset some of the cost of the localised Council Tax Support (CTS) Scheme.

2. Background

2.1. The Government intends that the new Support will take the form of a Council Tax discount. This would be calculated once other discounts which the claimant is eligible to receive, for example single person discount, have been taken into account. In the medium term, given the tight timescale for introduction, the Government has indicated that the Scheme could be based on the current CTB scheme.

2.2. The new Scheme must be adopted by the Council by 31 January 2013. Before the Scheme can be agreed by the Council a consultation exercise and equality impact assessment need to have been carried out. The consultation exercise included major precepting authorities as well as members of the public and representative groups.

2.3. Given the limited timescale to introduce the new Scheme and the subsequent implications of initial implementation and ongoing administration, it is proposed that the new Scheme will be based on the existing CTB scheme.

In future years, following the introduction of Universal Credit, the scheme may evolve moving away from a means test to a more simplistic award of a discount based on personal circumstances and entitlement to elements of Universal Credit.

2.4. The Council will continue to process new claims for Housing Benefit (HB) until housing costs are included in Universal Credit. In terms of the information required from customers to make a claim under the new Scheme, it is important that the requirements are aligned with those for HB. This will allow residents to continue to make one claim for HB and Council Tax Support from 1 April 2013.

2.5. The Government has also made proposals for changes to Council Tax relating to second homes and empty properties. These changes will:

- provide that the Council's choice over the level of discount awarded in respect of second homes (furnished properties that are no ones main home) which is currently 10 to 50%, will be extended to 0 to 50%. The Council currently awards a 10% discount. The change will allow the Council to reduce this discount to zero if it chooses to do so. (This does not affect the 50% discount for job related dwellings.)
- abolish exemption class A relating to uninhabitable dwellings (properties where no one lives, are substantially unfurnished and require major repair work or are undergoing major repair work or structural alteration to render it habitable) and allow discretion to give discounts of between 0 and 100% for a set period of twelve months.
- abolish exemption class C relating to vacant properties (properties where no one lives which are substantially unfurnished) which can be awarded for up to six months and allow discretion to give discounts of between 0 and 100% for set periods
- allow a premium, of 50% of liability, to be charged on vacant dwellings that have been empty for two years as an incentive for owners to bring them back into use.

2.6. Currently, properties that remain vacant (properties where no one lives which are substantially unfurnished) receive a 50% discount. This generally applies after the 6 month exemption class referred to above but it can also apply after some other exemptions. The Council already has the ability to reduce this discount from 50% to zero. To date this option has not been pursued due to the implications on Revenue Support Grant / formula grant but it is now appropriate to review the position.

3. Consultation and Options Appraisal

3.1. The Council launched a public consultation, which ran from 20 August 2012 until 12 November 2012, to seek views on options for how the new Scheme might work and on proposed changes to the rules on Council Tax exemptions and discounts on empty homes.

3.2. Further background information, details of the consultation options, the results of the consultation and the subsequent options appraisal are attached at Appendix A.

4. Recommended Options

4.1. It is recommended that the following Options are implemented –

- abolish the 10% discount awarded in respect of second homes (furnished properties that are no ones main home)
- introduce a discount of 100% for a period of up to twelve months following the abolition of exemption class A for 'uninhabitable' properties (properties where no one lives, are substantially unfurnished and require major repair work or are undergoing major repair work or structural alteration to render it habitable) which are currently awarded for up to twelve months
- introduce a discount of 100% for a period of up to one month following the abolition of exemption class C relating to vacant properties (properties where no one lives which are substantially unfurnished) which can be awarded for up to six months
- abolish the 50% discount for properties that remain vacant (properties where no one lives which are substantially unfurnished)
- base the new local Council Tax Support Scheme on the existing CTB scheme calculation
- increase income disregards for working age claimants so that single claimants have the first £10 of earned income disregarded and others have the first £25 of earned income disregarded
- continue to disregard 100% of certain payments (for working age and pensioner age customers) made under the War Pension and Armed Forces Compensation Scheme.

- 4.2. Implementing the recommended changes to the level of discounts and exemptions currently awarded to empty properties will support one of the key areas of action within the Community Strategy, that *people have access to housing that meets their needs*. Although these changes may not lead directly to the occupation of previously unoccupied properties, they may put pressure on property owners to reduce the time that a property remains unoccupied. It will also provide a modest additional income that could be used to limit the reduction in financial support to some of the most vulnerable customers in the District.
- 4.3. However, the Council faces a number of difficulties in determining a new local Council Tax Support Scheme. The level of change being implemented across the national welfare benefits system and the many other financial pressures on claimants will impact on individuals. The Council needs to approach change in this area with a good understanding of the impact on those in protected groups and the overall financial impact for the Council.
- 4.4. The Council is keen to ensure that the Council Tax Support Scheme should support customers who are in work. It is considering doing this by increasing the amount of earned income that is disregarded in the benefit calculation. The levels have been set at £5 per week for a single person, £10 per week for a couple and £20 per week for carers and disabled customers for numerous years.
- 4.5. The Council currently disregards 100% of certain payments (for working age and pensioner age customers) made under the War Pension and Armed Forces Compensation Scheme from the CTB calculation. It is proposed that this disregard should continue under the local CTS Scheme arrangements.
- 4.6. Accepting the one year transitional grant, maintaining current levels of financial support towards Council Tax will reduce the risk of Council making only minor improvements to the benefit calculation in 2013/14. The Council will have to make an informed decision for any changes to the Scheme to come into effect for 2014/15.
- 4.7. During 2013/14 the Council will monitor the financial impact of the changes and will review the options for change previously considered. It may have to consider introducing changes such as capping support at Band D, all customers paying a minimum of 10% of Council Tax liability and removing the new 100% discount awarded to unoccupied and unfurnished properties for a period of up to one month.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

5.1. An *Inclusive Society* is one of the key outcomes of the Community Strategy. One of the key areas of action within that outcome is that *people have access to housing that meets their needs*. The proposals in this report support that action.

5.2. The Council has a corporate outcome of being an *Efficient and Effective Council – Being fit for the future*. One of the specific actions is to *Put in place appropriate systems to effectively deal with the changes to council tax benefit*. This report forms part of that action.

6. RESOURCE IMPLICATIONS:

6.1. Under the existing CTB scheme, the Council is reimbursed fully, on the amount of CTB paid out correctly, with the exception of the discretionary War Pensions Scheme. In times of economic difficulty as the amount of benefit the Council pays increases it is currently reimbursed by the Government.

6.2. The new scheme for support will be offered in the form of a Council Tax reduction (discount on the Council Tax bill). The support will reduce the Council Tax Base in the same way as other discounts and exemptions.

6.3. Under the new arrangements the Council, together with major precepting authorities, will be given a cash specific sum reducing the Council Tax requirement and off-setting the reduction in the Council Tax Base. Any expenditure above the cash limited sum will have to be met by the Council and major precepting authorities via the Collection Fund. The Council's share of any surplus or deficit would be approximately 13.25%.

6.4. The allocation for the local precepting authorities will be given to the Council. The Government's latest consultation proposal is that local preceptors would not have their tax base reduced by local Council Tax Support and the funding would be retained by the Council. In effect, local preceptors (parish and town councils) will see no difference in 2013-14, tax bases will be unchanged, and they would not suffer any risk on collection rates. The Council will be required to transfer into the collection fund an amount equivalent to the Council Tax Support attributable to the local preceptors in their area. Further guidance is expected shortly.

- 6.5. The indicative figure for the Council (including special expenses) is £469,000 with a further £154,000 in respect of local precepting authorities. This represents a reduction of 11.8% in real terms for the Council. The figures are illustrative and will be revised based on 2011/12 outturn data on subsidised benefit expenditure. The revised figures will be available in the autumn statement (late December) but the Government does not expect the figure to change significantly. In future years it is unlikely that the level of funding allocated for the local schemes will be identified separately.
- 6.6. Forecasts of likely demand for assistance will have to be gauged when setting the scheme to ensure that the Council remains within budget. The demand for assistance cannot be determined with any certainty especially at times of economic difficulty. The proposed fixed grant to local authorities represents a financial risk as it will not include any provision to manage increased take up and future Council Tax increases.
- 6.7. Given the level of uncertainty it is likely that the Council will need to review the scheme in its first year of operation and further changes may be required.
- 6.8. The Council currently receives administration subsidy for both Housing and Council Tax Benefits. The Government has stated that it does not intend the administration of local schemes to put pressure on local government finances, in line with the new burden doctrine. The Government will assess the net impact of Housing Benefit centralisation and the localisation of Council Tax Support, including transitional costs. The level of funding for 2013/14 has been announced and although less than the current year it is in line with the Council's original forecast. The Council has received an initial payment of £84,000 to support the introduction of the new Scheme.

A summary of the financial impact of the Options under consideration is shown below –

Options – Second Homes and Empty Properties	Total Income	WCC Income
Option 4 – Abolish discounts on second homes	72,000	6,000
Option 5a – Abolish 6 month exemption & replace with 100% discount for 3 months, or	239,000	21,000
Option 5b – Abolish 6 month exemption & replace with 100% discount for 2 months, or	374,000	33,000
Option 5c – Abolish 6 month exemption & replace with 100% discount for 1 month, or	570,000	50,000

Option 6 – Abolish discounts for empty homes	300,000	26,000
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These figures assume a collection rate of 98.6% (current rate applied in Tax Base calculation) for the income relating to the changes to second homes and empty homes.

Options – CTS Scheme	Total Cost	WCC Cost
Option 1 – Band restriction	685,000	69,000
Option 2a – Minimum of 10% liability, or	458,000	46,000
Option 2b – Minimum of 15% liability	314,000	32,000
Option 3a (Option 1 & 2a combined)	402,000	40,000
Option 3b (Option 1 & 2b combined)	262,000	26,000
Option 7 – Minimum of 8.5% liability *	375,000	37,000
Option 8 – Benefit calculated as under the current CTB scheme with enhanced earnings disregard *	662,000	66,000

* The cost of these options is net of the transitional grant.

The figures above do not reflect any potential impact of the failure to collect Council Tax following the introduction of the new Scheme.

6.9. The recommended options are Options 4, 5c, 6 & 8.

6.9.1. The financial implications associated with the recommended Options are as follows –

Financial Implications	Total	WCC
Cost of Option 8	788,000	79,000
Transitional Grant	-126,000	-13,000
Income raised from Options 4, 5c, 6	-942,000	-82,000
Net surplus	-280,000	-16,000

7. RISK MANAGEMENT ISSUES

- 7.1. In view of the proposed new funding arrangements the Council carries the risk that the cost of any CTS scheme which exceeds the Government's contribution will need to be borne in part by the Council via the Collection Fund.
- 7.2. A thorough consultation and a robust equality impact assessment have been carried out. If the Council were minded to accept the transitional grant and reduce the minimum a customer would be expected to pay from the suggested 10%, which has been the subject of consultation, to between 0% and 8.5% there is a risk that this could be challenged on the grounds that it has not been the subject of consultation. However as the scheme would be similar to that consulted upon but with a lower percentage that is more favourable to customers, it is considered that the risk associated with any such decision is low.
- 7.3. The Bill containing the provisions for the new Scheme has been enacted but only draft regulations are available. The Government has made it clear that Councils should continue with the implementation process. If the Council fails to implement a local scheme it must administer a default scheme specified by the Government which mirrors the current CTB scheme with no opportunity to identify savings.
- 7.4. If the Council reduces the level of benefit in payment it will have additional income to collect from some of the poorest households in the District, with the associated risk of failure to recover this money. The Council will also have additional income to collect from customers who have previously had an exemption or a higher level of discount. There is a potential risk of failure to recover some of this money.
- 7.5. The Council is reliant on certain senior officers to implement the changes described in this report. Loss of these individuals would place additional pressure on the design and implementation process.
- 7.6. The Government has indicated that it will undertake a review of how annexes for family homes can be supported. This may result in Council Tax changes relating to annexes of dwellings which potentially could result in a reduced Tax Base.
- 7.7. The changes to the Tax Base relating to the current 50% discount on unfurnished and unoccupied properties may have a negative impact on RSG which could offset some of the benefit of the changes. Given the scale of change proposed in local government financing the position is not clear at this stage.

7.8. The estimates relating to the changes to discounts and exemptions on empty properties are based on historical data however trends can change with a subsequent positive or negative impact on the Tax Base. Estimates relating to the CTS Scheme have been based on current caseload, with some provision for increase. Regulations regarding the changes and other welfare reform changes, which will affect the CTS Scheme e.g. Universal Credit, have yet to be passed. This means that the estimates provided in this report come with a lower than usual level of confidence.

7.9. The Council is required to approve a local Scheme by 31 January 2013. In determining a local Scheme the Council must have due regard to the requirement to consult major preceptors and other stakeholders and must carry out a robust equality impact assessment on any proposed changes. The Bill containing the provisions for the new Scheme and the Council Tax changes has been enacted but only draft regulations are available. The Government has made it clear that Councils should continue with the implementation process.

BACKGROUND DOCUMENTS:

Consultation responses and Equality Impact Assessment

APPENDICES:

Appendix A – Localisation of Council Tax Support and Council Tax Changes

In view of size, printed copies for Cabinet meeting will be provided to Cabinet members, Group Leaders and the chair of Overview and Scrutiny Committee only.

Localisation of Council Tax Support and Council Tax Changes

1. Background – Changes to Council Tax Benefit

- 1.1. The Government intends that the new Support will take the form of a Council Tax discount. This would be calculated once other discounts which the claimant is eligible to receive, for example single person discount, have been taken into account. In the medium term, given the tight timescale for introduction, the Government has indicated that the Scheme could be based on the current Council Tax Benefit (CTB) scheme.
- 1.2. CTB is a national means tested benefit. It compares a person's income to a theoretical level of need based on their personal circumstances. In simple terms, if income is less than the level of need, CTB meets the full Council Tax liability. If income is more than the level of need the award of CTB is reduced by 20p for each pound over the level of need. Each authority, either on its own or in partnership with other authorities, must design a scheme. There are certain areas which the Government is not leaving to local discretion.
- 1.3. The Government has made clear its intention that no pensioner will be worse off when CTB is abolished. This is to avoid low-income pensioners experiencing any increase in their Council Tax liability as a result of the reform. Future eligible pensioners will have the same level of support as existing eligible pensioners. In practice this will mean that authorities have to ensure that pensioners receive the same amount of support under the new Scheme as they would under the current CTB scheme.
- 1.4. At present, Winchester has a CTB caseload of approximately 5,900. Of these 3,100 (53%) are pensioner households. This means that if the Council were to maintain a cost neutral position, the whole of the 10% reduction in funding from the Government would have to be borne by the 47% of non pensioner households. This equates to an actual reduction in financial support towards their Council Tax of 21%.
- 1.5. The Government is clear that it is essential that any local scheme aligns with Universal Credit and reflects the key principles for incentivising people to work
 - People should get more overall income in work than out of work.
 - People should generally get more overall income from working more and earning more.
 - People should be confident that support will be provided whether they are in or out of work, that it will be timely and correct, and that claiming will not be a complicated and frustrating experience.
- 1.6. Details of Universal Credit are starting to become available but, given the tight timescales for implementation of the localised scheme, work must begin now as the localised scheme will be live before Universal Credit is introduced.

- 1.7. At this stage the Government has indicated that it will not legislate to protect other groups but it has issued guidance regarding work incentives and vulnerable groups i.e. children, disabled persons and the homeless. This guidance largely reminds authorities of their responsibilities under existing legislation –
- the public sector Equality Duty (The Equality Act 2010)
 - the duty to mitigate effects of child poverty (The Child Poverty Act 2010)
 - the duty to prevent homelessness (The Housing Act 1996).
- 1.8. The guidance also refers to the Armed Forces Covenant and reminds Councils' of the current discretion to disregard certain payments, made under the War Pension and Armed Forces Compensation Schemes, from the CTB and Housing Benefit (HB) award calculation. The Council does this currently and it is recommended that this policy will continue under the new Scheme.
- 1.9. The guidance on work incentives identifies matters that authorities may want to take into account, to support the wider objectives of welfare reform, when designing the new Scheme. The current and new schemes give consideration to work incentives in a number of ways e.g. disregarding income, the rate at which support is removed (known as the taper), extended payments for those going into work. Much of the guidance refers to the interaction between the new Scheme and Universal Credit. This can be considered further when Universal Credit is implemented.
- 1.10. The new Scheme must be adopted by the Council by 31 January 2013. Before the Scheme can be agreed by the Council a consultation exercise and equality impact assessment need to have been carried out. The consultation exercise included major precepting authorities as well as members of the public and representative groups.
- 1.11. Given the reduction in Government funding it is possible that working age Council Tax payers who have previously had their Council Tax met in full by benefit could, under any local Scheme, be billed for the first time. This would have an impact on the recovery of Council Tax, with potential implications for administration and recovery procedures, staffing levels and the cost of recovery. Depending upon the design of the local Scheme there could also be the challenge of collecting relatively small amounts of Council Tax from these customers. At this stage it is difficult to predict the level of impact.
- 1.12. This Scheme is being introduced at the same time as other welfare reforms and the localisation of Business Rates. 2013/14 will be a difficult year in terms of staffing resources within the Revenues Service. Beyond that the number of Housing Benefit customers should start to reduce as new customers move to Universal Credit, which will be administered by the Department for Work and Pensions, and there may then be the potential to transfer resources.

1.13. Given the limited timescale to introduce the new Scheme and the subsequent implications of initial implementation and ongoing administration, it is proposed that the new Scheme will be based on the existing CTB scheme. In future years, following the introduction of Universal Credit, the scheme may evolve moving away from a means test to a more simplistic award of a discount based on personal circumstances and entitlement to elements of Universal Credit.

1.14. The Council will continue to process new claims for Housing Benefit (HB) until housing costs are included in Universal Credit. In terms of the information required from customers to make a claim under the new Scheme, it is important that the requirements are aligned with those for HB. This will allow residents to continue to make one claim for HB and Council Tax Support from 1 April 2013.

2. Background – Changes to Council Tax Exemptions & Discounts

2.1. The Government proposals for changes to Council Tax relating to second homes and empty properties will

- provide that the Council's choice over the level of discount awarded in respect of second homes (furnished properties that are not one's main home) which is currently 10 to 50%, will be extended to 0 to 50%. The Council currently awards a 10% discount. The change will allow the Council to reduce this discount to zero if it chooses to do so. (This does not affect the 50% discount for job related dwellings.)
- abolish the exemption class relating to uninhabitable dwellings and allow discretion to give discounts of between 0 and 100% for a set period of one year
- abolish the exemption class relating to vacant properties (properties where no one lives which are substantially unfurnished) which can be awarded for up to six months and allow discretion to give discounts of between 0 and 100% for set periods
- allow a premium, 50% of liability, to be charged on vacant dwellings that have been empty for two years as an incentive for owners to bring them back into use.

2.2. Currently, properties that remain vacant (properties where no one lives which are substantially unfurnished) receive a 50% discount. This generally applies after the 6 month exemption class referred to above but it can also apply after some other exemptions. The Council already has the ability to reduce this discount from 50% to zero. To date this option has not been pursued due to the implications on Revenue Support Grant / formula grant but it is now appropriate to review the position.

3. Consultation

3.1. The Council launched a public consultation, which ran from 20 August 2012 until 12 November 2012, to seek views on options for how the new Scheme might work and on proposed changes to the rules on Council Tax exemptions and discounts on empty homes.

The following options were included in the consultation –

Council Tax Support

Option 1 – Band Restriction

Capping the level of support awarded under the new scheme to a Band D property for those working age claimants living in properties with a Council Tax band of E, F, G & H

Option 2 – Minimum of 10% or 15% Liability

Making working age customers responsible for 10% or 15% of their Council Tax liability

Option 3 - (Option 1 plus Option 2 above)

Capping the level of support awarded under the new scheme at Band D and making working age customers responsible for 10% or 15% of their Council Tax liability

Council Tax Exemptions & Discounts

Option 4 – Abolish Discount for Second Homes

Abolishing the current 10% Council Tax discount for second homes (a second home is a property that is furnished and no ones main home)

Option 5 - Abolish 6 Month Exemption

Abolishing the current 6 month Council Tax exemption for vacant properties and replacing it with a 100% discount for a period of up to one, two or three months for properties that remain vacant

Option 6 – Abolish Discounts for Empty Homes

Abolishing the current 50% Council Tax discount which applies after the above exemption / discount award for properties that remain vacant. This can also apply after some other exemptions.

3.2. Since this consultation process started a number of additional matters have arisen that have resulted in additional options being considered in this report.

4. Responses from Consultees

4.1. **Major Preceptors** - the Council is required to consult with Major Preceptors (Hampshire County Council, Hampshire Fire and Rescue Authority and Hampshire Police Authority) on its proposals for the new schemes prior to undertaking wider consultation with other stakeholders. This consultation was carried out initially via the Hampshire & Isle of Wight Chief Finance Officers Group. An extract of the key elements of the responses are as follows –

- The view of Major Preceptors is that Billing Authorities should continue to consider the development of ‘core elements’ of future schemes and that these should be applied consistently in all Authorities, in order to avoid the potential for a ‘post code lottery’ in respect of the inconsistent treatment of individuals depending on their location. This would also apply to features that are only being considered by a small number of authorities. In addition, any Billing Authorities considering a blanket reduction in entitlement need to ensure this is explored as part of the Equality Impact Assessment that they undertake.
- Major Preceptors continue to re-iterate the requirement that Billing Authorities should try to close the 10% funding gap either directly through the scheme design or using other methods such as changing existing discounts.
- Major Preceptors accept the fact that estimating the level of Council Tax Bases will be particularly challenging this year until actual data on collection rates starts to be collected during 2013/14 but urges Billing Authorities to provide information in line with the revised timescales that will be issued by Major Preceptors in due course.
- Major preceptors appreciate that increased take up may be a consequence of the implementation of the new scheme, but would re-iterate that the preferred approach for dealing with in year gains or losses is through the existing collection fund deficit / surplus methodology and that the arrangements for fixed precept dates and amounts remain the same.
- Major Preceptors reserve the right to make further representations in respect of the detailed design of schemes and would therefore like to continue to be treated as a key stakeholder in that regard during the further consultation processes.

The full responses are –included in the background documents to Report CAB2415.

4.2. **Benefit and Council Tax customers** - the Council promoted the consultation process as widely as possible to raise awareness and encourage input into the consultation process. Over 800 responses have been received.

The headline results of the public consultation are as follows –

Questions included in the consultation	Strongly support	Support	Neither	Oppose	Strongly oppose
General - Should all working age households be expected to pay some Council Tax towards the provision of local services regardless of their income or circumstances?	20.8% (167)	31.2% (250)	8.1% (65)	14.9% (119)	25.0% (200)
General – Should Council Tax be increased for all Council Tax payers so that there is no reduction in support for working age CTB claimants?	9.1% (72)	14.1% (112)	20.1% (159)	29.2% (231)	27.5% (218)
Option 1 - Working age claimants in higher banded homes (E, F, G & H) should have the benefit capped as if they were living in a band D home.	23.0% (181)	26.3% (207)	21.0% (165)	14.1% (111)	15.5% (122)
Option 2a - Working age claimants to become responsible for the first 10% of the Council Tax liability.	17.9% (140)	33.7% (263)	15.5% (121)	15.4% (120)	17.5% (137)
Option 2b - Working age claimants to become responsible for the first 15% of the Council Tax liability.	14.9% (116)	18.4% (144)	21.6% (169)	19.8% (155)	25.2% (197)
Option 3 - Working age claimants to become responsible for the first 10% of the Council Tax liability with benefit capped at band D	13.9% (108)	27.7% (215)	27.5% (213)	16.3% (126)	14.6% (113)
Option 3 - Working age claimants to become responsible for the first 15% of the Council Tax liability with benefit capped at band D	12.7% (99)	17.2% (134)	31.1% (242)	19.9% (155)	19.1% (149)
Option 4 - Abolish the current 10% discount for second homes.	51.3% (424)	18.9% (156)	9.8% (81)	5.9% (49)	14.1% (117)
Option 5a - Abolish the current 6 month exemption for vacant properties and replace with a 100% discount for 3 months.	24.2% (191)	31.1% (246)	24.3% (192)	9.6% (76)	10.8% (85)
Option 5b - Abolish the current 6 month exemption for vacant properties and replace with a 100% discount for 2 months.	18.5% (144)	22.6% (176)	30.4% (237)	15.7% (122)	12.8% (100)
Option 5c - Abolish the current 6 month exemption for vacant properties and replace with a 100% discount for 1 month.	26.3% (207)	18.2% (143)	27.1% (213)	16.0% (126)	12.5% (98)

Questions included in the consultation	Strongly support	Support	Neither	Oppose	Strongly oppose
Option 6 - Abolish the current 50% discount that is awarded at the end of the above exemption/discount period when a property remains vacant	36.7% (298)	23.8% (193)	18.6% (151)	8.5% (69)	12.3% (100)

4.3. Stakeholder organisations – the Council invited several organisations to attend workshops to discuss the implications of the Scheme on those organisations and their client groups. The key issues raised were as follows –

- Concerns were expressed regarding the removal/reduction of exemptions for vacant properties and the financial implications to the organisations responsible for these properties.
- Concerns expressed about changing the attitudes of people who have never paid and the impact on those who are unable to pay.
- Concerns over the cost to the Council of retrieving as little as 10%

4.4. Overview and Scrutiny Committee – The Head of Revenues presented a report to the Committee at its meeting of 17 September 2012. The Committee were generally not in favour of the following options -

- Making working age customers responsible for a percentage of their Council Tax liability (10% or 15%)
- Capping the level of Council Tax Support awarded under the new scheme to a Band D property for those working age claimants living in properties with a Council Tax band of E, F, G & H
- A combination of the above two options for working age customers

The Committee also wished to be assured that all potential unintended consequences of the following options had been thoroughly investigated -

- Abolishing the current 10% Council Tax discount for second homes (a second home is a property that is furnished and no ones main home)
- Abolishing the current 6 month Council Tax exemption for vacant properties and replacing it with a 100% discount for a period of up to one, two or three months for properties that remain vacant

- Abolishing the current 50% Council Tax discount that applies after the above exemption / discount award for properties that remain vacant

The Committee also requested that the Portfolio Holder investigate any other further local support schemes that might have been proposed by other councils since this Council's consultation exercise had commenced.

5. Options Appraisal

5.1. The following Options are considered in this section –

Options	Included in consultation	Recommended
Option 1 – Band restriction	Yes	No
Option 2a – Minimum of 10% liability	Yes	No
Option 2b – Minimum of 15% liability	Yes	No
Option 3a (Option 1 & 2a combined)	Yes	No
Option 3b (Option 1 & 2b combined)	Yes	No
Option 4 – Abolish discounts on second homes	Yes	Yes
Option 5 – Abolish 6 month exemption and replace with 1, 2 or 3 month 100% discount	Yes	Yes
Option 6 – Abolish discounts for empty homes	Yes	Yes
Option 7 – Minimum of 8.5% liability	No	No
Option 8 – Benefit calculated as under the current CTB scheme with enhanced earnings disregard	No	Yes

5.2. Options which were included in the consultation –

5.2.1. Option 1 – Band Restriction

Capping the level of support awarded under the new scheme to a Band D property for those working age claimants living in properties with a Council Tax band of E, F, G & H

This option would impact on a relatively low number of customers (175) however the financial impact will be, for example, £6.14 per week for a customer in a Band E property and £27.64 per week for a customer in a Band H property. The equality impact assessment, including feedback from the consultation process, has identified concerns regarding the ability of customers to pay any additional amounts. This is especially relevant to those customers who currently receive full benefit and therefore do not make any contribution towards their Council Tax. These customers do not see themselves as being liable to pay Council Tax and will need support with any change. At the same time, customers will also have to manage the implications of other welfare reform changes.

Another concern relates to the fact that some customers affected by this option may live in the rural areas of the District. Such customers already have to deal with the costs associated with living in a rural area.

This option reduces the shortfall in cost of implementing the new Scheme by £6,000 (from £75,000 to £69,000) for the Council. The total reduction is £64,000 (from £749,000 to £685,000).

5.2.2. Option 2 – Minimum of 10% or 15% of liability

Making working age customers responsible for 10% or 15% of their Council Tax liability

This option would impact on all working age customers (2,800 claimants). The financial impact will be, for example, at 10% £2.15 (at 15% £3.22) per week for customers in a Band B property and £2.46 (at 15% £3.69) per week for customers in a Band C property.

As for Option 1, the equality impact assessment, including feedback from the consultation process, has identified concerns regarding the ability of customers to pay any additional amounts. This is especially relevant to those customers who currently receive full benefit and therefore do not make any contribution towards their Council Tax. These customers do not see themselves as being liable to pay Council Tax and will need support with any change. At the same time, customers will also have to manage the implications of other welfare reform changes.

This option reduces the shortfall in cost of implementing the new Scheme by £29,000 (from £75,000 to £46,000) at 10% and £43,000 (from £75,000 to £32,000) at 15% for the Council. The total reduction is £291,000 (from £749,000 to £458,000) at 10% and £435,000 (from £749,000 to £314,000) at 15%.

5.2.3. Option 3 (Option 1 plus Option 2 above)

Capping the level of support awarded under the new scheme at Band D and making working age customers responsible for 10% or 15% of their Council Tax liability

This option would impact on all working age customers (2,800 claimants). The financial impact will be, for example, £8.90 per week for customers at 10% in a Band E property and at 15% £10.29 per week for customers in a Band E property. The impact for those in a property at Band D and below is as shown for option 2.

The impact on customers is as described in Options 2 and 3 above.

This option reduces the shortfall in cost of implementing the new Scheme by £35,000 (from £75,000 to £40,000) at 10% and £49,000 (from £75,000 to £26,000) at 15% for the Council. The total reduction is £347,000 (from £749,000 to £402,000) at 10% and £487,000 (from £749,000 to £262,000) at 15%.

5.2.4. Option 4 – Abolish Discount for Second Homes

Abolishing the current 10% Council Tax discount for second homes (a second home is a property that is furnished and no ones main home)

The consultation results show some support for this Option and for Options 5 & 6. Although the District does not have a significant number of empty homes they can be a blight on the local community, harming the local amenity of neighbouring properties and are seen as wasted assets. These options may encourage owners to put empty homes back into productive use and support the increase in housing supply, albeit in a small way, at a time when there is increasing pressure on the stock of available homes.

There were a number of comments opposing the removal of the 10% discount for second homes. The majority of these were based around second home owners not using 100% of the services so should not have to pay 100% of the Council Tax. The reality is that the Council has to provide services regardless of the circumstances of individuals and whether they are going to use them or not.

This option will affect approximately 500 properties and will raise additional income of £6,000 for the Council. The total additional income is £72,000.

5.2.5. Option 5 – Abolish 6 Month Exemption

Abolishing the current 6 month Council Tax exemption for vacant properties and replacing it with a 100% discount for a period of up to one, two or three months for properties that remain vacant

Some concerns were raised about the timescale to refurbish a property and the subsequent impact on rent levels, however it is felt that the Council Tax would only be a small amount when compared to the loss of rental income that would occur from a property being left vacant.

This option will affect the equivalent of 600 properties in a full year (this will be made up of many individual transactions for varying periods up to 6 months). It will raise additional income as follows -

Period	Winchester CC	Total
3 months	21,000	239,000
2 months	33,000	374,000
1 month	50,000	570,000

5.2.6. Option 6 – Abolish Discounts for Empty Homes

Abolishing the current 50% Council Tax discount that applies after the above exemption / discount award for properties that remain vacant. This can apply after some other exemptions.

This option will affect approximately 400 properties and will raise additional income of £26,000 for the Council. The total additional income is £300,000.

5.3. Since the consultation process the Government has announced a transitional grant scheme to provide support to local authorities that develop a Council Tax Support (CTS) Scheme that meets specified criteria which limit the impact of the new Scheme on customers. As a result of this two further options were considered.

5.3.1. Options 7, 8 – Amending options 1, 2, 3 to comply with the requirements of the Transitional Grant.

The Government has recently announced that £100M of additional transitional grant will be made available to 'provide the space and the support for all local authorities to follow the example of those councils who are making the most of opportunities to find savings across their budgets to be able to develop schemes that protect the poorest'.

To apply for a grant, billing authorities must adopt schemes which ensure that

- 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%

- 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%)

Funding will be payable to billing authorities whose schemes satisfy the criteria and their major precepting authorities, as an unringfenced grant. The distribution of this funding is based on the methodology for the principal Council Tax Support funding. To provide certainty on the funding position in advance, the Government has announced the amounts of funding that authorities will receive. The allocation for the Council is £12,684 (Parishes £4,165, HCC £91,293, HPA £12,864, HFRA £5,399).

The options that have been the subject of consultation do not include an option with the exact criteria associated with the Transitional Grant. Further options arising from the announcement of the Transitional Grant are shown below.

Option 7	WCC funding shortfall £	Total funding shortfall £
All customers pay at least 8.5% of their net council tax liability.	50,000	501,000
Less transitional funding	-13,000	-126,000
Net position	37,000	375,000

Option 8	WCC funding shortfall £	Total funding shortfall £
Benefit calculated as under the current CTB scheme with enhanced earnings disregard	79,000	788,000
Less transitional funding	-13,000	-126,000
Net position	66,000	662,000

It should be noted that the additional funding is described as transitional funding and therefore will be a one off payment. If the Council pursues this option the Scheme will need to be amended in the second year or funding identified from elsewhere, to fill the gap in future years.

It is appropriate to consider the implications for the administration of the recovery of Council Tax. Implementing the revised criteria will reduce the amount of Council Tax that customers need to pay and the Council will be faced with collecting even smaller amounts from customers. However, the unit cost of debt collection, in the early stages of recovery, is the same whatever the level of the debt.

In addition, some customers currently in receipt of less than 100% Council Tax Benefit are already required to pay small amounts. Given the scale of change, with the introduction of Council Tax Support, the uncertainty surrounding the impact of the Scheme and the wider Council Tax changes, it is difficult to predict the impact. However at this stage it would not be appropriate to suggest that implementing the revised criteria will have a significant additional impact on the cost of debt recovery given the similarity of the Scheme under consultation and the revised criteria.

The implications of the new Scheme will be monitored closely during the initial years and the impact on administration and recovery processes will be a key element of that monitoring. Applications can only be made after the deadline for adopting schemes on 31 January. The deadline for applications will be Friday 15 February 2013. Funding will be received in March 2013.

5.4 The recommended options are Options 4, 5c, 6, & 8. Implementing these options together will result in a net surplus of £16,000 for the Council in 2013/14.

5.4.1 Implementing the Options relating to second homes (Option 4) and empty properties (Options 5c, & 6) may encourage property owners to put empty homes back into productive use. This will increase the housing supply, although in a limited way, at a time when there is significant pressure on the stock of available homes.

5.4.2 This report describes some of the changes being made to welfare benefits on a national scale which will also impact on the same group of customers that will be affected by any changes to financial support for Council Tax.

5.4.3 Implementing Option 8 allows the Council to introduce a local Scheme for 2013/14 which is based on the current CTB calculation with enhanced earnings disregards. The enhanced earnings disregard will provide additional support to customers in work and an incentive to those seeking work. This Option will allow the Council to claim the

additional Transitional Grant which will reduce the cost of the Option. This Option is the preferred Option given the number of unknown factors in the current climate of welfare reform. This approach will allow the Council to carry out further work on the potential impact of the other Options considered and the wider welfare reform changes. During 2013/14 officers will also monitor the impact of the various Schemes implemented by local authorities within Hampshire and across the country. This further work will inform the design of the Scheme for 2014/15.

6. Equality Issues

6.1. Council Tax Discounts and Exemptions

6.1.1. There are some negative impacts on customers if the changes to discounts and exemptions were implemented. However, the survey results show some support for these changes from both benefit recipients and other Council Tax payers and it is felt that this group of customers will have the means to pay increased levels of Council Tax. A number of exemptions will still be available to protect those customers responsible for an empty property. Some concerns were raised by landlords about the impact this may have, however, it is felt that the Council Tax would only be a small amount when compared to the loss of rental income that would occur from a property being left vacant.

6.1.2. There were a number of comments opposing the removal of the 10% discount for second homes. The majority of these were based around second home owners not using 100% of the services so should not have to pay 100% of the Council Tax. The reality is that the Council and other public bodies have to provide services regardless of the circumstances of individuals and whether they are going to use them or not.

6.2. Council Tax Support Scheme

6.2.1. The Equality Impact Assessment shows clearly that all working age households will be disadvantaged by the proposal that all working age adults should pay at least some Council Tax. Whilst the survey results show support for everyone to pay at least 10% there are perceptions that people on benefit are better off than those in work. The consultation and the impact assessment have shown that this is not the case. The majority of comments express concern about customer's ability to pay an additional amount of Council Tax no matter how small this amount may be.

6.2.2. Many working age customers on benefits will be affected by other welfare reforms and increases in fuel and food prices, and a large proportion of these customers are already in part time and/or low paid jobs.

6.2.3. The consultation shows a considerable degree of support amongst both benefit recipients and those not receiving benefits

for disabled people to be protected from the proposed change – particularly where they cannot work because of the nature of their disability.

- 6.2.4. Welfare benefits are currently in a period of transition and not all customers have been assessed for Employment & Support Allowance and some are currently still receiving Incapacity Benefit or Income Support. It is not currently possible to distinguish between people who could work and those who cannot. Once the review of welfare benefits has been completed over the next 2-3 years the Council should be in a position to be able to distinguish between disabled people who could work and those who cannot work. The scheme would need to be reviewed regularly to ensure that protection is targeted to the appropriate individuals.
- 6.2.5. Many of the comments received suggest that families with children should also be protected. The impact on this group, and in particular single parents, needs to be considered carefully. With this group of people there is, in theory, the option for them to move into work or increase their hours in order to meet any additional Council Tax. The impact on individuals will vary according to the number and ages of children they have and this will affect a parent's ability to increase their income. Further work would need to be undertaken to be able to fully understand the impact that any change in Council Tax support would have alongside the wider welfare reforms.
- 6.2.6. The impact assessment and analysis of the consultation results has revealed that some of the households living in properties rated Band E and above may be located in rural areas. There is not sufficient detailed information on these households or the nature of the properties to be able to judge the impact of the proposal to cap Council Tax support at the Band D level. (It is possible that they may not be large and expensive houses, but modest ones rated more highly because of their location in a desirable village and we are aware that low income households in rural areas can face significantly higher living costs than those in urban areas). It is therefore suggested that further work be undertaken if this proposal is to be implemented.
- 6.2.7. In order to mitigate the impact of this the Council should consider keeping the current level of support as provided by the existing Council Tax Benefit scheme for all working age customers and not introduce any cut in support. This would mean that the shortfall in funding would need to be found elsewhere,
- 6.2.8. The full Equality Impact Assessment is included in the background documents to Report CAB2415..