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<b>REPORT TO:</b>	<b>LOCAL GOVERNMENT NORTH YORKSHIRE AND YORK</b>
<b>DATE:</b>	<b>12 JULY 2012</b>
<b>REPORT OF THE:</b>	<b>CORPORATE DIRECTOR (RYEDALE) PAUL CRESSWELL</b>
<b>TITLE OF REPORT:</b>	<b>LOCALISATION OF COUNCIL TAX SUPPORT</b>

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## **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an update on the current North Yorkshire position with regards to the Localisation of Council Tax Support (LCTS), which takes place from April 2013. This paper brings together recent Government announcements and various meetings of the Districts.
- 1.2 This report does not contain all the detail on the issues especially the impact on individuals. Its focuses on the financial impact and deliverability.

## **2.0 BACKGROUND**

- 2.1 Currently Authorities administer Council Tax Benefit through existing national legislation and are reimbursed the costs of doing so.
- 2.2 The announcement to Localise Council Tax Benefit was made as part of the Comprehensive Spending Review Announcement in December 2010. It identified a cut of 10% in support for Council tax benefit, equating to nearly £500m nationally, to be delivered by giving authorities local control over the spend through them designing their own schemes for council tax support. The £500m saving is an important part of the national cuts to public spending programme. CSR10 stated that Authorities would need their own schemes to be effective on the 1 April 2013.
- 2.3 The early announcements also indicated the Government's desire to protect pensioner claimants and give Authorities total discretion on the design of their schemes. Authorities can choose the level of support they offer claimants, and are not mandated to make a 10% saving, they can choose a higher saving, or use their own resources as they see fit.

## **3.0 CURRENT POSITION**

- 3.1 The Government consulted on the proposals for LCTS in 2011.
- 3.2 Local Authority responses to the consultation were significant as well as responses from the various societies (e.g. Society of District Council Treasurers).
- 3.3 The general thrust of responses were that the timeline for implementation taking into account consultation requirements and software changes, given that the legislation was only to be passed in July 2012 (at best), was extremely challenging.
- 3.4 Many Authorities questioned the principle of protection for pensioners and many requested that freedom over discounts was enabled, in particular the Council Tax single persons discount, in order that the cut could be absorbed rather than passed on to existing claimants.

- 3.5 The outcome of the consultation plus developments since are detailed below:
- Schemes need to be in place by 1 April 2013.
  - Pensioners still retain full protection.
  - The use of single person discount has been ruled out.
  - The financing of the schemes would be managed through the collection fund and therefore the financial risk would be shared between all the major preceptors (i.e. Districts, NYCC, Police and Fire). Effectively the Council Tax Base reduces.
  - The responsibility for schemes in two tier areas would rest with the lower tier Authority, who must consult with the other preceptors (as well as the public).
  - Consultation on the distribution of grant is underway. The proposals identify a grant based on historic spend but forward projecting changes in claimants. The model assumes a 4.4% reduction in claimants (based on OBR projections) which is unlikely to be seen in many areas where claimants are currently increasing. The 10% cut therefore becomes nearer 15%.
  - The grant will be paid in 2013/2014, but in the following years will be included in the Business Rate Retention Scheme for Local Government Finance.
  - The reduction in the Council Tax base affects Parish Councils. Dealing with this issue has been passed to Authorities with a compensating grant. The exact implications of this are presently uncertain, but it is clear it will be an issue which will prompt much debate and workload.
  - It is now expected to become legislation in September 2012. Acknowledging the short timescales the government has unusually committed to release the draft guidance in advance of the legislation being passed.
  - The schemes can only be revised annually and must be approved by the Secretary of State.
  - In 2012/2013 a grant to assist in the setting up of schemes will be paid to each District of £84k, the other preceptors will receive a grant of £27k.
  - Schemes must protect the vulnerable however no definition of vulnerable has been provided. Lobby groups are ready and waiting to challenge schemes which adversely affect their client groups.
  - The Government has said it will produce a default scheme (yet to be produced) which an authority that has not had a scheme approved by the 31 January 2013 will have to adopt. This scheme will deliver no saving to that authority.
- 3.6 To highlight the financial risk to the major preceptors for every £1 cut in funding or additional cost which a district cannot recover through changes to their scheme or using discounts (section 4), there is an average impact of £5.74 on the County Council, £1.11 on the Police Authority and £0.33 on the Fire and Rescue Service. This is an average across North Yorkshire based on current spend and relative precepts.
- 3.7 In addition to existing claimants the projections for 2013/2014 need to consider any expected increases in claimant numbers, projections of collection rates if additional Council Tax is billed, collection costs, bad debts provisions and projected increases in Council Tax. It is of note that collection costs are the responsibility of the billing authority.

#### **4.0 OPTIONS**

- 4.1 The districts are planning joint consultation with the major preceptors between 24 July and 4 September. Authorities will then undertake their own public consultation in October/November. The final schemes must be approved by the billing authority by

the 31 January 2013 for implementation on the 1 April 2013.

- 4.2 There are three basic options (plus a fourth which uses a combination of the other three) for managing the cut in funding:

***Option 1 – Pass on the funding cut to working age claimants.***

Given the protection for pensioners this results in significant cuts in benefits for a number of people. As an example Ryedale has approx 59% of claimants by value who are pensioners (NY districts range from 48%-59%). Therefore a 15% cut in funding equates to all working age claimants having their benefit cut by over a third if shared equally. In addition to this:

- The new scheme is to be called Council Tax discount rather than benefit which may increase claimant numbers. Take up of Council Tax Benefit is at a historic low. According to DWP reports, it is 5% below the long term average and 15%-17% below the peak.
- Any major employer ceasing business could create further unbudgeted demand, as will over time the demographic changes with increasing pensioner numbers.
- The cuts to benefits will be for people with low incomes and difficult circumstances. Some individuals who have never had a Council Tax liability in their life could receive a bill for say £300. Collecting small sums from people with low incomes will be difficult and trying to collect additional Council Tax in an already difficult climate, with the potential for resistance leading to non-payment or avoidance measures, could lead to additional administrative burdens and costs for the districts and a higher bad debt provision.
- There is discussion that such a blanket approach to sharing the cut equally across working age claimants will not meet the requirement to protect the vulnerable and lead to challenge. Therefore Authorities would need to analyse their claims data and effectively make judgements on the relative merits of different groups of claimants. Detailed Equality Impact Assessments will be crucial to protecting the Councils from legal challenge.

***Option 2 – Absorb the cost and make savings in other service areas***

- The claimants are amongst the most vulnerable in communities and any reduction in their income is going to have a major impact on their lives. There are other possible knock on effects which will affect Council costs (housing, debt advice etc.).
- Effectively the scheme would leave eligibility unchanged, which may deter additional claimants if the message is 'no change'.
- Consultation and a new scheme is still required but is more straightforward.
- There is the significant impact on other preceptors as well as the Districts in absorbing the cost.
- It could be a one year option whilst councils prepare for something different in year 2 having learned the lessons from others given the very short timescales and IT issues.

***Option 3 – Use Freedoms over Exemptions and Discounts***

- The Government has consulted on allowing more freedom over Council tax discounts and exemptions (but not the single persons discount). The following are relevant:
  - Second Homes (currently 10% discount)
  - Unoccupied undergoing structural repairs/alterations (currently 100% reduction for 12 months)
  - Unoccupied Dwelling (currently 100% reduction for 6 months)

- In all of the Districts in North Yorkshire the value of these in total is more than the cut in funding.
- Current advice is that the percentage could be changed, but not the period of eligibility.

## **5.0 DISTRICT POSITIONS**

5.1 Below are the likely current proposals from each of the District Councils. All are consulting with their own members prior to release of the consultation document on the 24 July.

### **Craven**

- 30% cut in benefit for all working age claimants
- Council Tax band D limitation (working age claimants living in properties in higher Council Tax bands are assessed as a Band D property).
- Other minor changes to entitlement or claims assessment
- Using changes to Discounts and Exemptions in addition to the above to meet the cut in funding
- Asking the major preceptors to contribute proportionately towards other costs including additional collection costs.

### **Hambleton, Ryedale, Scarborough**

- 20% cut in benefit for all working age claimants
- Council Tax band D limitation (Scarborough Band C)
- Other minor changes to entitlement or claims assessment
- Using changes to Discounts and Exemptions in addition to the above to meet the cut in funding
- Asking the major preceptors to contribute proportionately towards other costs including additional collection costs.

### **Richmondshire, Selby**

- 10% cut in benefit for all working age claimants
- Council Tax Band D limitation
- Other minor changes to entitlement or claims assessment
- Using changes to Discounts and Exemptions in addition to the above to meet the cut in funding
- Asking the major preceptors to contribute proportionately towards other costs including additional collection costs.

### **Harrogate**

- No cuts to benefit
- No Council Tax Band limitation.
- Minor changes to entitlement or claims assessment
- Using changes to Discounts and Exemptions to meet the cut in funding

## **6.0 CONCLUSIONS**

6.1 There will be 7 schemes for North Yorkshire and a significant volume of work to meet the deadline. Consultancy support has been secured to assist with the processes.

6.2 There are no easy solutions to this. The short timescales involved taking into account the legislative programme, IT issues, consultation and approval processes within each Authority make year 1 (2013/2014) a particular challenge.