

AGENDA



CABINET

MONDAY, 20 AUGUST 2012

10.00 AM

**COUNCIL CHAMBER, COUNCIL OFFICES, ST PETERS HILL,
GRANTHAM**

Beverly Agass, Chief Executive

MEMBERS: Councillor Mrs. Linda Neal (Leader/Portfolio: Policy, Strategy and Strategic Partnerships), Councillor Paul Carpenter (Deputy Leader & Portfolio: Governance & Communication), Councillor Mrs Frances Cartwright (Portfolio: Grow the Economy and Economic Development), Councillor John Smith (Portfolio: Green, Healthy and Arts), Councillor Mike Taylor (Portfolio: Strategic Resources - Well Run Council) and Councillor Teri Bryant (Portfolio: Good Housing)

Committee Support Officer: Lucy Bonshor 01476 40 61 20
e-mail: l.bonshor@southkesteven.gov.uk

Members of the public are entitled to attend the meeting of the Cabinet at which key decisions will be taken on the issues listed on the following pages. Key decisions are marked *.

1. APOLOGIES

- 2. MINUTES OF THE MEETING HELD ON 2ND JULY 2012**

(Attached)
- 3. DISCLOSURE OF INTERESTS (IF ANY)**
- 4. LOCALISATION OF SUPPORT FOR COUNCIL TAX BENEFITS POLICY**

Report HOF205 by the Head of Finance **(Attached)**
- 5. MATTERS REFERRED TO CABINET BY THE COUNCIL, SCRUTINY COMMITTEE OR THE POLICY DEVELOPMENT GROUPS**
- 6. ITEMS RAISED BY CABINET MEMBERS INCLUDING REPORTS ON KEY AND NON KEY DECISIONS TAKEN UNDER DELEGATED POWERS.**
- 7. REPRESENTATIONS RECEIVED FROM MEMBERS OF THE PUBLIC ON MATTERS WITHIN THE FORWARD PLAN (IF ANY)**
- 8. REPRESENTATIONS RECEIVED FROM NON CABINET MEMBERS**
- 9. ANY OTHER BUSINESS WHICH THE CHAIRMAN, BY REASON OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT**



MEETING OF THE CABINET
2 JULY 2012 - 11.00 AM – 11.19 AM

PRESENT:

Councillor Paul Carpenter
Councillor Mrs Frances Cartwright
Councillor John Smith
Councillor Mike Taylor

Councillor Mrs. Linda Neal - Chairman

Chief Executive (Beverly Agass)
Strategic Director (Daren Turner)
Strategic Director (Tracey Blackwell)
Strategic Director (Ian Yates)
Housing Solutions Service Manager (Kev Martin)
ICT Service Manager (Andy Nix)
**Head of Legal & Democratic Services/
Monitoring Officer (Lucy Youles)**
Cabinet Support Officer (Lucy Bonshor)

Non-Cabinet Members : **Councillor Nick Craft**
Councillor Alan Davidson
Councillor Charmaine Morgan

CO8. APOLOGIES

An apology for absence was received from Councillor Bryant.

CO9. MINUTES OF THE MEETING HELD ON 11 JUNE 2012

The decisions from the meeting held on 11th June were agreed as a correct record of the decisions taken.

CO10. DECLARATIONS OF INTEREST (IF ANY)

None declared.

CO11. *LINCOLNSHIRE COUNTY HOMELESSNESS STRATEGY

Decision:

That the Lincolnshire County Homelessness Strategy 2012-16 be adopted.

Considerations/reason for decision:

- 1) Report HST41 from the Portfolio Holder for Good Housing.
- 2) The Homelessness Act 2002 requires that all local authorities carry out a review of homelessness in their areas and formulate and publish a strategy based on the findings.
- 3) The first strategy was required by July 2003 and must be renewed at least every 5 years.
- 4) The Department of Communities and Local Government Homelessness code of guidance states that the strategy must set out the local authority's plans for the prevention of homelessness and for securing that sufficient accommodation and support are or will be available for people who become homeless or who are at risk of becoming so.
- 5) The document has been development by all seven Lincolnshire District Councils.

Other Options Considered:

All local authorities are required by the Homelessness Act 2002 to produce a Homelessness Strategy.

CO12. *ICT STRATEGY

Decision:

That the ICT Strategy 2012-15 as attached at Appendix A to report HOF203 be adopted.

Considerations/reason for decision:

- 1) Report HOF203 from the Portfolio Holder for Governance and Communication.

- 2) Consultation with stakeholders which had taken place during the preparation of the draft strategy.
- 3) The ICT strategy sets a clear steer for the all governance issues relating to IT use and in particular the protection and processing of data.
- 4) The strategy will be reviewed annually to ensure that it remains fit for purpose.
- 5) Comments made by Portfolio Holders at the meeting.

Other Options considered:

The ICT Strategy is an important document for the Council and whilst there is no statutory requirement for a strategy, the strategy proposed will ensure that the ICT supports the delivery of the Council's priorities.

CO13. REPRESENTATIONS RECEIVED FROM MEMBERS OF THE PUBLIC ON MATTERS WITHIN THE FORWARD PLAN (IF ANY)

Councillor Mrs Neal referred to a communication that she had received from a member of the public relating to wind turbine energy production. The issue of wind turbine provision was an item on the Forward Plan for consideration for consultation on a supplementary planning document. The communication received was not a representation; it was a question requesting the Cabinet's policy on the issue. The view of Cabinet could not be relevant at this stage. A document would be produced for consultation. As a planning authority it would be wholly inappropriate for her personal view or the views of any Cabinet Member to be given or taken into account without knowing all the facts, seeing all of the evidence and the representations made. She wanted to make it clear that the Cabinet were happy to receive representations on issues on the Forward Plan. The question had been put to the Scrutiny Committee and the minutes of that Committee were available for public view on the website.

DATE DECISION EFFECTIVE:

Decisions CO11 and CO12 as made on 2nd July 2012 can be implemented by 11th July unless subject to call-in by the Scrutiny Committee Chairman or any five members of the Council from any political groups.

South Kesteven District Council, Council Offices, St. Peter's Hill, Grantham, Lincolnshire NG31 6PZ

**Contact: Cabinet Support Officer - Lucy Bonshor Tel: 01476 40 61 20
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Agenda Item 4

REPORT TO CABINET

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF205

DATE: 20 AUGUST 2012

TITLE:	Localisation of support for Council Tax Benefits Policy	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr M Taylor Portfolio: Strategic Resources - Well Run Council Cllr T Bryant Portfolio: Good Housing	
CONTACT OFFICER:	R Wyles (01476) 406210 r.wyles@southkesteven.gov.uk C Scott (01476) 406240 c.scott@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below Initial impact analysis undertaken and included in report	Full impact assessment Required: N/A
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATIONS

1.1 Cabinet is recommended to approve the proposed criteria for the localisation of council tax support for consultation purposes. The proposed scheme for working age customers has the following characteristics:

- i. 80% maximum eligibility for those who do not fall into a vulnerable group
- ii. 100% maximum eligibility for vulnerable customers (as defined)
- iii. No restrictions based on size of property or council tax band Carer's, disabled and war pensioners protected
- iv. Inclusion of enhanced working disregards meaning that a certain amount of earnings is ignored in the calculation of support

The findings of the consultation will be reported to Cabinet at their meeting in December 2012.

1.2 Cabinet is also recommended to support one of the proposed amendments to the council tax discount and exemption arrangements in relation to Class C (unoccupied and unfurnished):

- One month exemption followed by 25% discount for remaining 5 months OR
- A 25% discount for six months

and to support the revised arrangements of a 25% discount for 12 months in respect of Class A (in need of structural repair).

2. PURPOSE OF THE REPORT

2.1 The report details Government changes to the welfare system in relation to Council Tax Benefit. It makes members aware of the options available to them in relation to the introduction of a new support system for those on low incomes who would otherwise be unable to afford to pay their Council Tax charge. The report provides an initial assessment of impact on those affected by the proposed replacement to Council Tax Benefit and sets out ways that South Kesteven District Council can protect the needs of vulnerable households whilst ensuring the effective allocation of resources across a range of priorities.

2.2 Additionally, the report also details technical changes to the Local Government Finance Act 1992 that will allow local authorities' discretion in the way that certain exemptions are administered. These amendments allow local authorities to generate additional revenues through the Council Tax system should members wish to approve the recommendations contained within this report.

3. DETAILS OF REPORT

3.1 In August 2011, the Department for Communities and Local Government (CLG) issued its consultation on a new localised scheme of discounts to replace existing council tax benefits from April 2013. As part of the localisation of support for council tax, the Government will no longer provide 100% funding of council tax benefits to local authorities but will instead provide a specific grant to billing and major precepting authorities. Significantly this means that funding for the Council Tax Support Scheme will see a transfer from a demand-led annually

managed expenditure budget to a fixed expenditure limited budget. The implication of this is that the uncertainty and volatility in demand can lead to additional expenditure pressures falling completely on the district council to manage.

- 3.2 The proposals confirm that the level of funding will be based on past proportions of council tax benefit expenditure and that these will be applied to a future projection for total national subsidised council tax benefit expenditure made by the Office of Budget Responsibility (OBR). Although the headline figure of a 10% reduction in expenditure was included in the comprehensive spending review (CSR) 2010 the local impact is much greater and is projected to be as much as 14.2%.
- 3.3 This variation is due to a Government assumption that Council Tax Benefit (CTB) caseloads will decline over the next 5 years. Local figures show that benefit caseloads have actually risen between 2010/11 and 2012/13. By way of example, the funding gap for South Kesteven is estimated at between £95K to £118K for 2013/14 and rising to a worst case scenario of £203K by 2017/18.
- 3.4 In Lincolnshire the estimated total funding gap in 2013/14 ranges from £10 million to £11.4 million. This rises by 2017/18, to £11.2 million to £16.5 million. There are many variables that will affect the actual deficit but the modelling undertaken provides an indication of the size of the funding gap for Lincolnshire.

There are a number of options available to South Kesteven District Council to bridge this funding gap:-

- i. Generate savings from existing budgets;
- ii. Increase Council Tax;
- iii. Reduce the level of CTB to claimants (whilst protecting pensioners);
- iv. Increase income through the new discretions for Council Tax exemptions;
- v. A combination of the above.

Note: A short term option may be to fund the difference between the grant and the level of Council Tax Support expenditure

- 3.5 It is likely that no single policy option will be sufficient to bridge the estimated total funding gap for Lincolnshire. Therefore each district council may need to consider a range of options depending upon its' local circumstances.
- 3.6 Given the range of priorities faced by South Kesteven District Council, funding the gap is neither realistic nor, more importantly, sustainable in the longer term. Therefore work has concentrated on managing the reduction in grant through a combination of generating additional income from the Council Tax exemptions discretions and overall spending reduction in localised council tax benefits (options iii, iv and v shown above).

Development of South Kesteven local scheme

- 3.7 The proposed local discount scheme will be split into two key areas. Firstly, support for pensioners which will follow the same rules as the current Council

Tax Benefit system. Secondly, support for working age recipients, where the design of the scheme is, to a large extent, at the discretion of local authorities. The consequence of protecting pensioners is that there is a disproportionate cut in available support to the working age recipient. This report focuses on the proposal surrounding the working age scheme as Government has determined that no amendments are permitted to the pensioner scheme.

- 3.8 A requirement is placed on local authorities through statute to consider the needs of vulnerable groups when designing a local scheme. There are a number of key duties that the council should consider when looking at vulnerable groups. These include:
- i. Public Sector Equality Duty (Equality Act 2010)
 - ii. Duty to mitigate the effects of child poverty (Child Poverty Act 2010)
 - iii. The armed forces covenant
 - iv. Duty to prevent homelessness (Housing Act 1996)
- 3.9 In addition to this, councils are asked by Government to consider how a local scheme can incentivise employment and make work pay.
- 3.10 A range of options have been considered and modelled to meet the objectives of the scheme proposals. Each option generates different levels of savings and affects customers in different ways. Areas considered include:
- i. Abolishing second adult rebate
 - ii. Changing the amount of some/all non-dependent reductions
 - iii. Restrictions to a particular CTAX band e.g. E,D,C
 - iv. Increasing the taper (the rate at which support is withdrawn as income increases)
 - v. Capping the maximum liability funded for support
 - vi. Minimum entitlement awards
 - vii. Increasing earning disregards
 - viii. Cutting capital limits and/or reducing lower capital thresholds
- 3.11 Detailed analysis of caseloads has enabled each option to be scrutinised in order to understand the impact of each of the changes. Through combining different components and varying the types of restrictions or incentives put in place, a scheme has been designed that takes into account the needs of vulnerable groups whilst providing an improved work incentive for those in employment. The local authority has worked extensively with other Lincolnshire authorities, the county council and the police as well as undertaking our own modelling. This has enabled us to explore a wide range of options and understand the various implications. A chronology of the work completed to date is included as Appendix 1
- 3.12 The working age scheme being proposed to members has the following characteristics:
- i. 80% maximum eligibility for those who do not fall into a vulnerable group
 - ii. 100% maximum eligibility for vulnerable customers (as defined)
 - iii. No restrictions based on size of property or council tax band
 - iv. Carer's, disabled and war pensioners protected

- v. Inclusion of enhanced working disregards meaning that a certain amount of earnings is ignored in the calculation of support

3.13 To be treated as vulnerable for Council Tax Support, a customer must either:

- i. Qualify for a disability, enhanced disability or severe disability premium for the claimant or partner, or
- ii. Qualify for disability or enhanced disability premium for a dependent, or
- iii. Qualify for a disability earnings disregard, or
- iv. Receive a disability related council tax reduction, or
- v. Be in receipt of a war disability pension, or
- vi. Be in receipt of a war widows pension, or
- vii. Be entitled to a carer premium.

3.14 Applying the 80% maximum eligibility will help to ensure that the scheme is transparent for all but will mean that some customers who currently qualify for help with their council tax bill will no longer receive assistance. The 100% maximum eligibility will ensure that those in most need due to their vulnerability receive protection from this change. There is a risk that an arbitrary cut to the maximum entitlement could disproportionately affect those on lower incomes as they will have to allocate a greater proportion of their income to cover the difference between their benefit entitlement and the bill. Detailed analysis has been completed to establish the extent to which different segments of our caseload are affected.

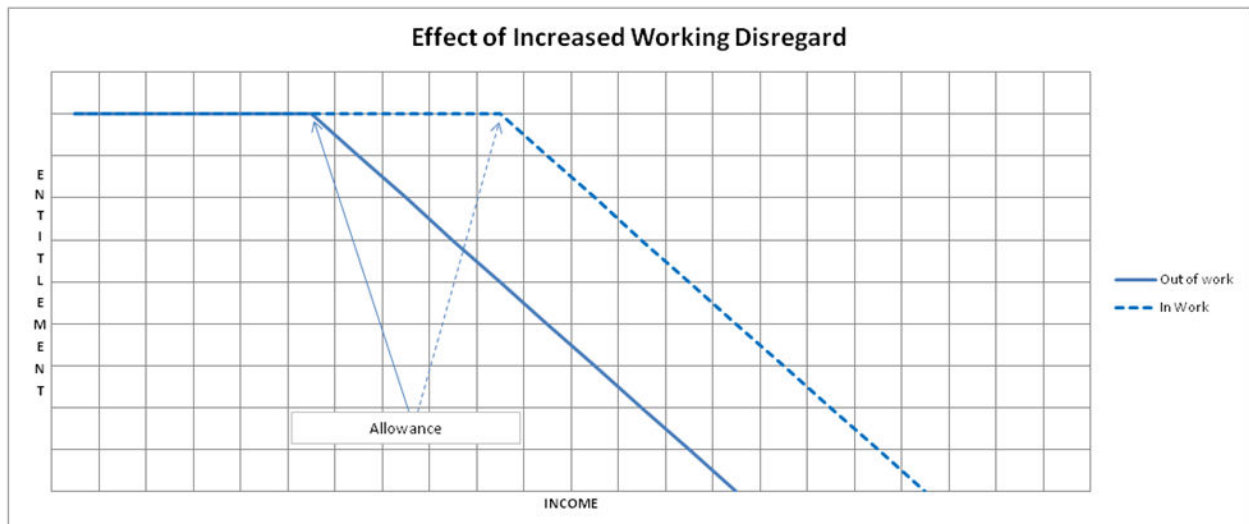
3.15 Enhancing the work disregards means that the local authority would take a lower level of earnings into account when calculating council tax support entitlement. The tapers within the system do not take effect until a higher level of earnings and a customer in work with the same income as someone out of work will receive more help towards their bill. A customer would keep more money from working before their entitlement is reduced. This scheme sees working disregards be amended as follows:

Table 1:

Earned Income Disregard	Current Weekly Disregard Amount	Proposed Weekly Disregard Amount
Lone Parents	£25.00	£30.00
Certain people who are disabled or long term sick	£20.00	£25.00
Certain carers and certain people in the emergency services	£20.00	£25.00
Single People	£5.00	£10.00
Couples	£10.00	£15.00

The graph below shows the effect of the enhanced work disregard.

Graph 1:



3.16 As can be seen from the graph, a customer in employment receives a marginally higher level of support as their income increases due to the additional earnings allowance. Those not in employment will lose their entitlement to benefit at a lower level of household income than those who are working.

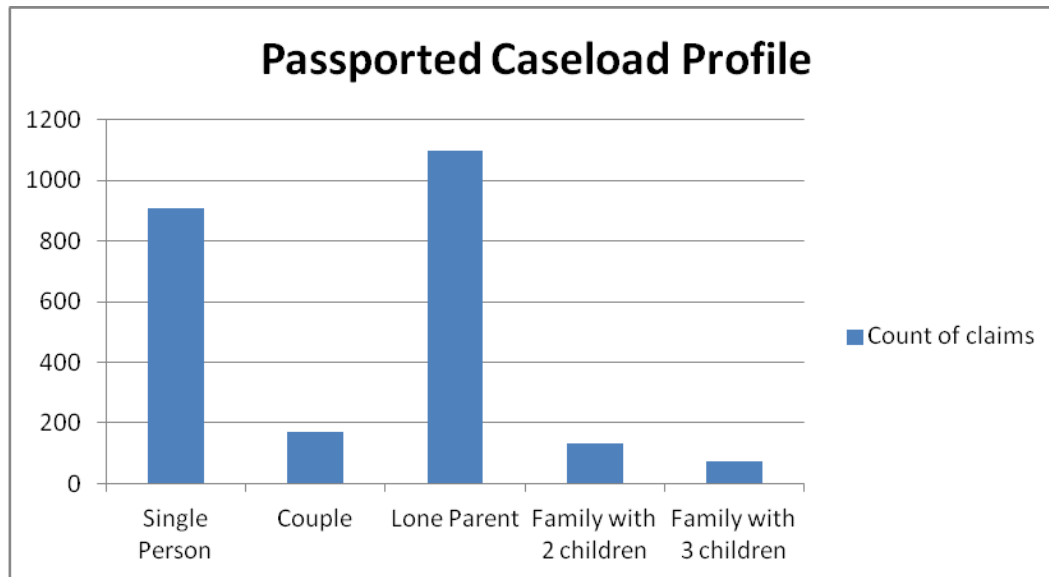
3.17 The caseload has been broken down into two broad segments and the impact for different types of customer in each of these has been analysed. Segment one looks at those who are in receipt of what is commonly known as a passported benefit with segment two being those who are not in receipt of a passported entitlement. This is explained in more detail below.

Segment One

3.18 Customers falling into this group are not subject to a means test under the current Council Tax Benefit rules. Being in receipt of a passported benefit would automatically entitle a customer to 100% assistance with their bill. Examples of these benefits are Income Support, Income Based Jobseekers Allowance and Income Related Employment and Support Allowance.

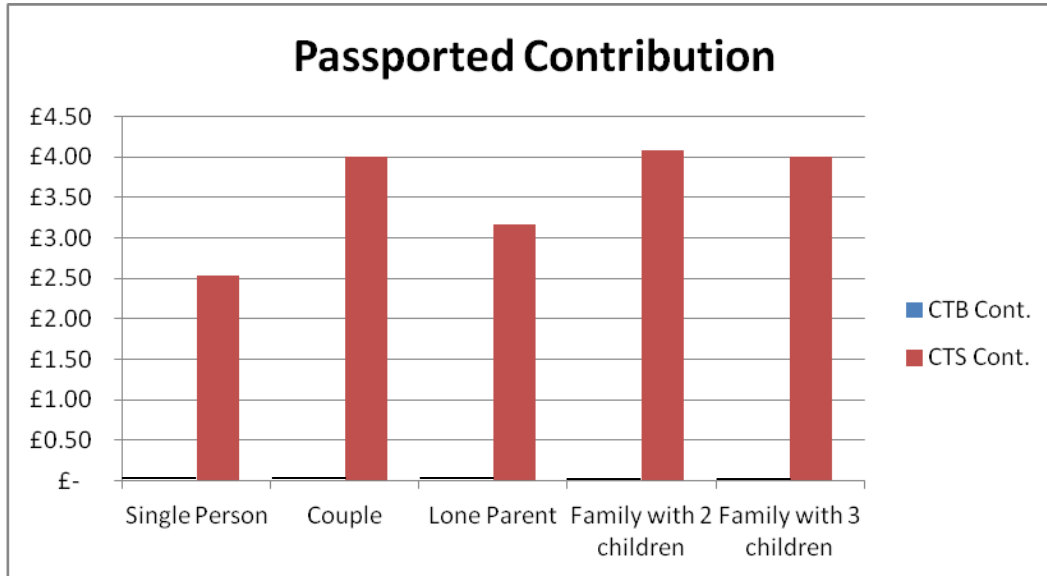
For this segment, the demography of our caseload is shown on the graph below:

Graph 2:

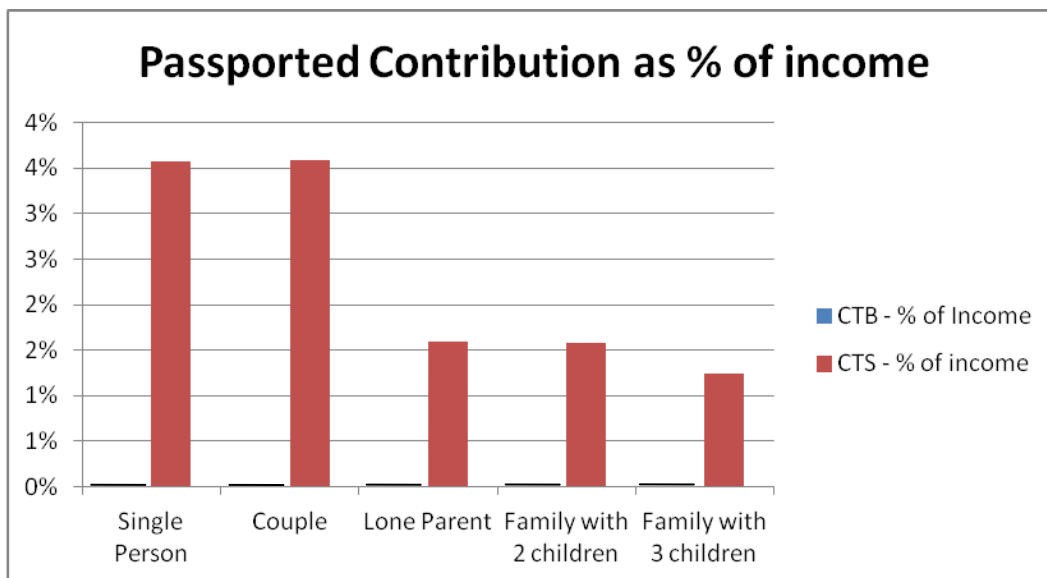


- 3.19 It is clear that our two largest subdivisions of claimants are lone parents (1098 claimants) and single people (906 claimants). Currently, customers falling into these groups will not make a contribution towards their council tax bill unless deductions are being made for other adult occupants in the property (such as adult sons or daughters).
- 3.20 Adopting the scheme outlined above would result in a contribution being required by customers within these groups, unless they were vulnerable. Based on the information currently available to the council we are unable to determine how many of our passported customers would qualify for protection under our vulnerability criteria. Analysis has been completed to establish the average contribution both in cash terms and as a percentage of a customers' income.
- 3.21 The contribution requirements are shown graphically overleaf. It can be seen that currently no contribution is being made by customers in these groups, but under the new rules a contribution towards their council tax bill would be required. Financially, the highest contribution would be made by families with two children who would be required to contribute £4.08 per week towards their bill. This represents 2% of their weekly income. In comparison to this, a single person would be asked to contribute £2.54 per week towards their bill which equates to 4% of their weekly income.

Graph 3:



Graph 4:

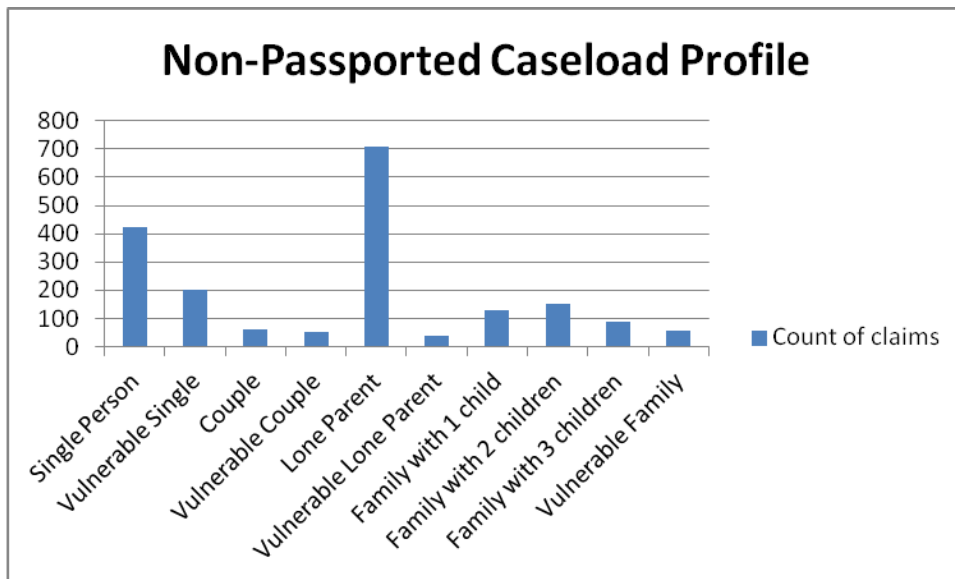


Segment Two

3.22 Segment two looks at those who are not automatically in receipt of 100% support towards their bill and would be subject to a means test under the current scheme. Examples of those in this group would include those in employment, those on occupational pensions but under state pension age and those on contribution based benefits.

For this segment, the demography of our caseload is shown on the graph below:

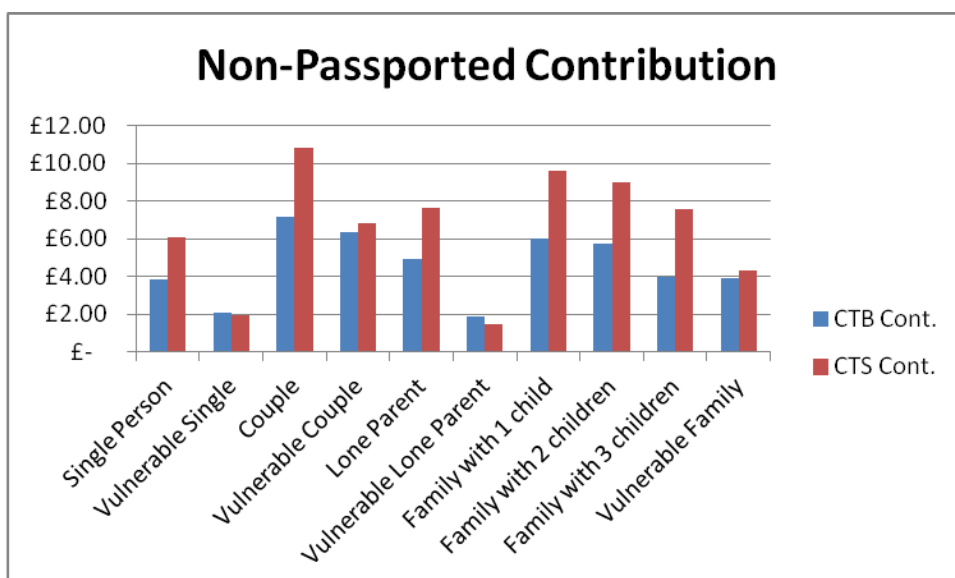
Graph 5:



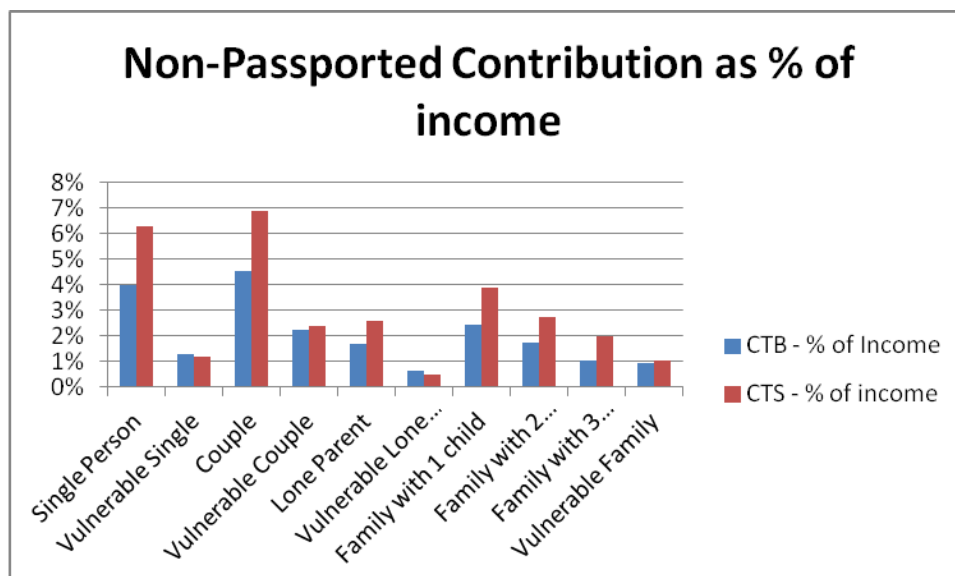
3.23 The requirement to means test this segment of the caseload under the current council tax benefit scheme means that it is possible to identify those who could be defined as vulnerable and therefore gain a more comprehensive understanding of the impact for this group. As with segment one, the largest subdivisions of claimants are lone parents (707) and single claimants (421) and it is clear that the greatest level of vulnerability is within the vulnerable single category with 201 customers qualifying for protection.

3.24 Customers within segment two would typically be making a contribution towards their council tax bill. To understand the impact of these changes, analysis has been completed to establish the average contribution, both in cash terms and as a percentage of a customers' income. These contributions are shown on the graphs below:

Graph 6:



Graph 7:



3.25 Under the proposed scheme, the greatest contribution here would be required from couples with the average weekly contribution being £10.79 per week, or 7% of their weekly income. This is a 2% increase in their contribution (£3.66 per week). Those least affected by the proposed scheme are those who have been defined as vulnerable. Overall, the level of contribution by those receiving protection reduces. This is because of the increased work incentives built into the scheme. For vulnerable single claimants the average contribution reduces from £2.04 per week to £1.91 per week. Both of these figures represent 1% of weekly income for this group.

Technical Adjustments to the Council tax exemptions

3.26 The Government proposes to allow billing authorities greater discretion over applying discounts and exemptions for certain categories of property from April 2013. It is estimated that this could generate additional revenue of £420 million in England (excluding the empty homes premium). These proposals are detailed in the Local Government Finance Bill published on 19 December 2011. To date, regulations are yet to be published so the authority has no legal power to introduce the proposed changes. Regulations are due to be published later this year.

3.27 Each billing authority will need to consider how it wishes to address the new discretions, and options will range from making no changes to the current scheme, to applying the maximum discretion (therefore generating more council tax income).

3.28 In the event that a billing authority applies the maximum discretions, it must then decide whether to use the additional income to i) help mitigate the impact of localisation of Council Tax Support, ii) help to reduce any future council tax increases or iii) be used to support delivery of the Council's priorities in the future.

- 3.29 The Government proposals allow amendments to be made to exemption classes A and C. Class A relates to a vacant dwelling where major repair works or structural alterations are required, underway or recently completed. Currently a customer would receive a 100% exemption for 12 months for Class A. Class C relates to vacant dwellings, unoccupied and substantially unfurnished. Currently a customer would receive a 100% exemption for six months for Class C.
- 3.30 Following the consultation process the Government has responded by confirming its intention to abolish the Class A and Class C exemption, and giving the power to billing authorities to give a discount of up to 100%. They have stated that the period of the discount for Class A will be for one year, being the same period as the current exemption. For Class C we are able to vary the rate and length of discount.
- 3.31 Members are asked to consider a 25% discount for Class A lasting for the duration of 12 months. This would generate additional income for the council and go some way towards meeting the funding gap created by the government's changes to the council tax benefit system.
- 3.32 Members are asked to consider two options for amendments to Class C. Option one is a one month exemption with a 25% discount for the remaining five months. The benefit of this option is that the provision of a one month exemption allows landlords, including the Local Authority, one month to prepare a property for re-letting. However, where a property cannot be re let within this timeframe a charge will be levied. This may mean that there is an increase in the number of small debts collectable. Option two is a 25% discount for the full six months. The benefit of this option is that it provides consistency and generates more revenue for the authority. However, this means that landlords, including the Local Authority, will incur a charge as soon as a property becomes empty. This would have an impact on the Housing Revenue Account and result in an increase in the amount of recoverable council tax. Details of the extra income each of these options would generate is shown in appendix 3.
- 3.33 Each of these options is unlikely to totally bridge the funding gap. It should also be recognised that there will be an impact upon the council tax payer along with an increased cost of collection and bad debt provision. For this additional income to be realised the local authority must collect the extra amount of council tax being charged. There is the potential for an increase in the number of small debts that will be written off. It may be uneconomic for the council to pursue some of these debts, which would result in a higher administrative burden, reduced collection and a bigger bad debt provision.
- 3.34 Amending the Class C exemption in this way will impact on private landlords, registered social landlords, and the housing stock retained by the local authority. At the moment due to the six month exemption period under Class C, there is normally ample opportunity for these groups to find the next tenant and make repairs/decorate the property without incurring any charge. Each of these groups would therefore incur additional expenditure.
- 3.35 The Government has also proposed to make provisions in relation to properties that have been empty for two years or more. The Government consulted on

what it called an “Empty Homes Premium” to see if it was felt an additional levy would have an impact on the number of long term empty homes. As a result of the consultation on this matter the Government is to seek a change in primary legislation to allow local authorities to charge a premium of up to 50%. They have confirmed that the premium will not become payable until a dwelling has been empty and unfurnished for at least two years.

- 3.36 Whilst adopting this policy could generate additional income for the local authority, the aim of the proposal is to reduce the number of properties that are empty by bringing them back into use. This is in line with the council’s own strategy which links to the priority of supporting good housing for all. If the policy is successful we would be unlikely to generate additional income by way of a 150% charge. Instead, these properties would incur a 75% or 100% charge in accordance with normal occupancy rules.

Financial implications of proposed changes

- 3.37 As highlighted earlier in the report, the move away from a demand-led allocation for Council Tax Benefit to a fixed grant for Council Tax Support will see a reduction in funding to the local authority of at least 10%. The local authority is required to approve a council tax discount scheme to help those on low incomes. Whilst there is no requirement to work within the grant allocated by central government any additional expenditure would have to be met through other sources available to the council.
- 3.38 As with any strategy designed to respond to change, there are risks. Extensive modelling and forecasting has been undertaken by officers to project the likely level of expenditure over the next few years in relation to Council Tax Support. It is estimated that the combination of the Council Tax Support changes and the Council Tax Technical changes would generate savings of approximately £130K for SKDC. Whilst these figures give an indication of the likely burden faced by the council, it is clear that due to the number of variables and the complexities within both the local and national economies, our actual expenditure could vary from the figures contained within this report. For example, sudden increases in the number of people claiming help with their Council Tax bill or increases in the council tax charge would lead to additional expenditure being incurred and the possibility that the scheme would cost more than initially expected. Once the scheme has been approved, the Council would be legally obliged to continue to award support against its own rules, and would not be able to vary its scheme in-year to limit the financial impact on itself or the general council tax payer.
- 3.39 Conversely, improvements in the economy or the effects of wider welfare reform measures could see the amount of money spent on council tax support reduce. This may therefore mean that the local authority could have made its discount scheme more generous or have been able to provide enhanced work incentives to those taking up employment.
- 3.40 The financial impact on major precepting authorities is significant. Whilst a district council may be able to meet its share of the grant reduction, it is highly unlikely that this would be the case for either Lincolnshire County Council or Lincolnshire Police. Estimates suggest that the funding gap in 2013/14 for

Lincolnshire County Council would be between £3.75m and £4.82m, with Lincolnshire Police having a funding gap of £1.46m.

- 3.41 The financial impact of those in receipt of Council Tax Support has been explained during earlier sections of this report. It is recognised that the additional financial contributions required by some customers could result in the need for them to seek budgeting advice. As part of our consultation and communication strategy, work will be undertaken to reach those affected by these proposals and provide them with information and advice.
- 3.42 The technical changes to council tax will result in customers currently receiving a Class A or Class C exemption being required to pay a council tax charge. This change could place an additional burden on local authorities in terms of collecting the additional council tax levy.
- 3.43 These amendments could lead to behavioural changes by those affected which may cause collection difficulties. Landlords who have been co-operative in the past, with regard to giving information about their tenants may not be in the future. This could potentially lead to a bigger administrative burden in trying to keep track of occupiers.
- 3.44 There is also a potential for an increase in small debt write-offs. This is due to more small amounts of council tax liability being incurred between tenancies. In most cases if these charges are not paid, they will be un-economic to pursue. As a result there could be more small balance write-offs leading to a bigger bad debt provision.

Equality Analysis

- 3.45 Initial Equality Analysis for each of the changes has been completed and attached as appendices 4 and 5.

Consultation strategy

- 3.46 The localisation of Council Tax Support will require the district council to consult with major precepting authorities and those who are likely to have an interest in the scheme. The consultation process will be split into two stages. Firstly, subject to the approval of the draft scheme, consultation will be undertaken with major preceptors. Once this consultation period has come to an end, public consultation will begin.
- 3.47 The public consultation will run for a period of eight weeks from 10 September 2012 to 2 November 2012. To ensure that the consultation is effective, a range of literature will be produced, stating the proposed scheme in detail, with easy to understand case studies to illustrate the effect of the changes on different groups. The consultation will define the key principles of the scheme as:
- i. Most people should contribute something towards their council tax bill
 - ii. We should protect those with disabilities from any reduction in support
 - iii. We should protect carers from any reduction in support

- iv. We should protect war pensioners from any reduction in support
 - v. The scheme should make work pay
 - vi. The scheme should be available to all council tax payers, regardless of the size of property that they live in
- 3.48 Furthermore, the consultation will outline the existing principles contained within the Council Tax Benefit scheme that will be retained to form part of the new support scheme. The key existing principles are:
- i. Second adults in the property should contribute
 - ii. Benefit should not be paid to those with capital above set limits
 - iii. Benefit can be paid based on the income of a second adult with a low income
 - iv. Those with more income should pay relatively more than those with less income
- 3.49 Consultation will be undertaken through a wide range of media. Consultation will begin with our proposed scheme being published on the Council's web page and promoted through the home screen. This will be accompanied by an on-line survey to allow residents to express their views on the main principles of the scheme.
- 3.50 We will directly survey those known to be affected by the proposed changes, both in terms of receiving protection due to a local decision, or a reduction in support. Pensioners will not form part of the direct survey as they are protected through government legislation. It is anticipated that in the region of 5000 households will be asked to participate in this part of the consultation exercise.
- 3.51 A series of drop-in sessions will be held across the district at seven locations. These will be held across the district and also targeted towards those areas of the district that have a high proportion of claimants and dependency on welfare support. Both customers and their representative groups will be invited to attend to find out more about the proposed changes. Feedback from these events will be recorded and made available to members for consideration.
- 3.52 Appropriate media will be used to publicise the consultation process and related events. This will include publications such as SK Today and County News. A workshop will also be held with the Community Focus Forum. This will not only promote the proposed scheme to a wide range of community groups, but will encourage feedback from those they represent.

Summary of workplan and timelines

- 3.53 An overview of the workplan is shown overleaf which details key dates and milestones.

Table 2:

<u>Task</u>	<u>Start Date</u>	<u>End Date</u>
Consultation with major precepting authorities	21 August 2012	7 September 2012
Consultation with affected groups	10 September 2012	2 November 2012
Production of Council Tax Support regulations	21 August 2012	20 November 2012
Cabinet Meeting to consider consultation feedback and make recommendation to Council	3 December 2012	3 December 2012
Full Council	13 December 2012	13 December 2012
New software installed (indicative dates)	17 December 2012	15 January 2013
Officer training (indicative dates)	21 January 2013	25 January 2013
Statutory deadline for adopting a local scheme	31 January 2013	31 January 2013
Data cleansing and promotional activities (indicative dates)	21 January 2013	15 February 2013

4. OTHER OPTIONS CONSIDERED

- 4.1 In working with colleagues around Lincolnshire, Cabinet and Resources PDG members have considered numerous different options and schemes. These are laid out in Appendix 2.

5. RESOURCE IMPLICATIONS

- 5.1 The introduction of a new Council Tax Support scheme will require dedicated resources to be allocated to this project between July 2012 and March 2013. It is believed that the expertise required to implement the proposed changes are held in house and the project can be delivered on time with minimal backfilling of posts. Additional funding has been provided by central government to assist with the introduction of a localised council tax support scheme. Resources will be utilised from:

- i. Revenues and Benefits Service
- ii. Performance, Consultation and Communication
- iii. Finance
- iv. Legal and Democratic Services

- 5.2 All resource requirements have been mapped out and agreed with respective service managers. The full impact on the council of these changes will not be known until the local scheme has run for upwards of 18 months.

6. RISK AND MITIGATION

6.1 Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
<p><u>Social</u></p> <p>Community Impact</p>	<p>Consultation and customer engagement will be undertaken to gain community understanding of the impact of these changes and ensure that views are fully considered when adopting a local scheme.</p> <p>The consultation exercise might require amendments to the scheme to control this risk.</p>
<p><u>Economic</u></p> <p>Expenditure exceeding government grant</p>	<p>Every effort has been made to minimise this risk. Expenditure for the proposed scheme has been projected using the data and modelling tools available.</p> <p>Once the local scheme has been introduced any overspend would have to be funded by the local authority.</p> <p>This risk has been reduced further by ensuring that arrangements are in place to share any additional costs with major precepting authorities.</p>
<p><u>Technological / Contractual</u></p> <p>Software installed and testing completed</p>	<p>This is dependent on the delivery of software from our suppliers. Resources have been allocated to the installation and testing of this software in line with expected release dates.</p> <p>Continued monitoring and reviews of software development will be completed to ensure that risks are managed.</p>
<p><u>Physical</u></p> <p>Availability and capacity of internal resources</p>	<p>Lack of available resources could result in key deadlines not being met and a failure to introduce a local scheme. Appropriate resources have been identified and allocated to this project to ensure that a local scheme is introduced by 31 January 2013.</p>
<p><u>Legislative</u></p> <p>Publication and effectiveness of new regulations</p>	<p>Revised regulations need to be written and approved by members. The risk of challenge to the regulations can be limited by closely mirroring the current Council Tax Benefit regulations.</p>
<p><u>Reputational</u></p> <p>Consultation and customer engagement</p>	<p>Insufficient consultation presents a risk of a local scheme being introduced that does not meet the needs of local residents. There is also a risk of judicial review.</p> <p>Consultation and engagement plans have been developed and agreed to reduce this risk.</p>

Category Risk	Action / Controls
<p data-bbox="277 197 485 264"><u>Political and sustainability</u></p> <p data-bbox="277 304 603 407">Failure to adopt a local scheme by 31 January 2013</p>	<p data-bbox="715 197 1406 371">Failure to introduce a local scheme would result in the default scheme being imposed on the local authority. This would remove the ability to manage expenditure and design a scheme that meets local needs.</p> <p data-bbox="715 376 1406 479">A project plan has been agreed and resources allocated to ensure that a local scheme can be introduced on time.</p> <p data-bbox="715 483 1406 551">Regular reviews of performance against the agreed plan will be completed to manage risks.</p>

7. ISSUES ARISING FROM IMPACT ANALYSIS

- 7.1 The stage 1 impact analysis has been completed and is attached to this report as appendix 4. It is recognised that whilst officers have been able to use a large quantity of statistical data to model the impact of the proposed changes, the personal views of our customers have not been gathered. To this end, as detailed earlier in the report, extensive consultation will be undertaken with interested parties.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 Not applicable.

9. COMMENTS OF FINANCIAL SERVICES

The modelling undertaken has been based on the latest level of claimant information and a number of scenarios with respect to the technical adjustments. However, the Council together with precepting authorities, will carry the risk of a disproportionate growth in claimant numbers in the district which will have a financial impact on the scheme. This scenario should be considered as part of the medium term financial planning of the Council.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 The Local Government Finance Bill has been introduced to provide a framework for the localisation of support for council tax in England which will give councils increased financial autonomy and a greater stake in the economic future of their local area, while providing continuation of council tax support for the most vulnerable in society, including pensioners.
- 10.2 The Bill has not yet been enacted but includes proposals for potential change to be effective from April 2013. The Council has no other alternative but to proceed to develop a local scheme for council tax support for consultation to meet the expected time frame. The government has issued a statement of intent which enables local authorities to commence the consultation process in advance of the enactment of the Bill in respect of the localisation. The technical changes proposed can only be introduced following enactment of the relevant provisions of the Bill and approval of the scheme by Council.

10.3 Local authorities were given Best Value Statutory Guidance published in September 2011. This short statutory guidance on the Best Value Duty sets out some reasonable expectations of the way authorities should work with voluntary and community groups and small businesses when facing funding decisions.

11. COMMENTS OF OTHER RELEVANT SERVICES

Housing

11.1 It is clear that these proposed changes will impact on the Council's Housing Revenue Account to the extent that the proposals change the Council Tax levied on empty homes. Without modelling the impact, which could be done using the properties actually let over a recent period of, say, six to twelve months, it is difficult to quantify.

11.2 An impact assessment should be undertaken promptly and fed in to the consultation process so that it is available to the Council prior to reaching a final decision on the local arrangements. A further impact might be on the level of rent arrears to the extent that tenants whose Council Tax Support is reduced find it increasingly difficult to meet their outgoing expenses and we cannot predict with confidence how they will prioritise payments.

12. APPENDICES:

Appendix 1	Chronology of work undertaken
Appendix 2	Other options considered
Appendix 3	Income derived from applying Council Tax Technical changes
Appendix 4	Equality Analysis – Localised Council Tax Support
Appendix 5	Equality Analysis – Council Tax Technical Changes

Appendix 1: Chronology of work undertaken

September – December 2011

- Internal modelling of caseload to allow members to understand the demographics of the customer base
- Presentation to PDG regarding changes to benefit system. Feedback informed initial modelling

Additional modelling completed and results shared with members. At this point we were still waiting for information to come from DCLG regarding vulnerable groups and the requirements of the scheme.

Models shared with other Lincolnshire authorities and additional models agreed.

Seven scenarios modelled across Lincolnshire to explore if a Lincolnshire wide scheme was viable.

- Scenarios 1-3: variants with council tax bands, non dep deduction levels, capital limits and the way different incomes are taken into account
- Scenario 4: maximum entitlement for everyone limited to 80%
- Scenario 5: maximum entitlement for everyone limited to 75%
- Scenario 6: maximum entitlement limited to 70% with vulnerable groups protected
- Removal of second adult rebate

- Schemes produced varying levels of savings for each local authority and highlighted differences in caseload composition.

Updates presented to PDG and additional work completed to feed into LG Futures reports.

Council tax technical changes modelled to explore ways of generating additional income.

LG Futures report presented to Chief Execs. This showed funding gap implications across the county with a detailed report being provided to each local authority.

- For SKDC, the funding gap for year one was between £95k and £118k.
- This increases to £90k to £130k in year two

25 June 2012 – Schemes presented to cabinet and strategic managers for discussion. Hybrid of scenarios five and six proposed for further modelling. Key elements of the scheme are:

- 80% maximum eligibility
- No band restriction
- Protection for disabled, carers and war pensioners

- Allowed to earn more before it is taken into account

Scheme modelled to allow a 2.5% increase in Council Tax

Hybrid scheme modelled and additional work completed on council tax technical changes.

2 July 2012 – discussions with cabinet regarding hybrid scheme. Agreed to complete more detailed analysis regarding the impact on customers. Clarification provided around “vulnerable groups” and the duties placed upon the council.

9 July 2012 – discussion with cabinet. Agreed to take model scheme to PDG working group.

10 July 2012 – PDG working group. Discussed proposals with members. Cross party agreement with recommended approach.

Project scoped and plan agreed. Initial meetings taken place with Communications Team and Equality and Diversity Officers.

Further meetings held with other Lincolnshire authorities and County Council representatives to discuss the options being proposed by each authority and the likely impact on customers.

Stage 1 Equality analysis undertaken and fed into consultation plans.

Appendix 2:

Default Scheme

- 1.1 This option would see no change to the new council tax support scheme. It would operate under the same rules as the current council tax benefit system. Whilst those who are receiving council tax support would not be negatively impacted, the operation of this scheme would place an additional financial burden on local authorities due to the reduction in grant from central government.

Advantages of proposal	Disadvantages of proposal
Benefit recipients do not see a reduction in support	Council will have to fund gap from elsewhere
Easy to understand	Still required to consult, even though no change to scheme
No additional administrative burdens or system changes	Is not affordable in the long term for district or major precepting authorities

This option has not been recommended because it is not sustainable for either South Kesteven District Council or the major precepting authorities to fund the gap created by the government's reduction in grant.

Other options

- 1.2 The following options have been put forward for consideration. The explanation under each option explains how they operate under the current scheme, along with how they could be changed, and the advantages and disadvantages for each type of change: -
- i. Abolishing second adult rebate
 - ii. Changing the amount of some/all non-dependent reductions
 - iii. Restrictions to a particular CTAX band E/D/C
 - iv. Increasing the taper (the rate at which support is withdrawn as income increases)
 - v. Capping the maximum liability funded for support
 - vi. Minimum entitlement awards
 - vii. Increasing earning disregards
 - viii. Cutting capital limits and/ or reducing lower capital thresholds

Abolishing Second Adult Rebate

- 1.3 Under the current Council Tax Benefit scheme it is possible for a person liable to pay Council Tax (regardless of their own wealth and means to pay) to claim up to 25% as a second adult rebate. This applies where they have people living in their home who are living on passported social security benefits such as Income support, jobseekers' allowance, employment and support allowance or

alternatively are living on a low gross wage or other income below £180 a week.

- 1.4 Second adult rebate is not paid where there is more than one liable person in the home such a couple, or any commercial lodgers or boarders. It is claimed by relatively small numbers of working age households. The second adult rebate is claimed by the person liable to pay Council Tax but is calculated on the incomes and resources of others living in the household.
- 1.5 It can be difficult to administer because the claimant is not aware of the full financial circumstances of other adults living in the home and keeping up to date with changes in circumstances can be forgotten by the claimant.
- 1.6 It is possible to amend the current scheme by changing the rates at which it is paid or limiting to just passported benefit second adults but this would not achieve significant savings and make it more complex to administer.
- 1.7 Second Adult Rebate will remain in place for pensioners from April 2013 under the pensioners' scheme.

Advantages of proposal	Disadvantages of proposal
Small numbers of households affected	Second adults living in the home might not be contributing to the household expenses including Council Tax.
Amounts paid to claimants are relatively small	The scheme would not be available to working-age claimants but it would be available to pension age customers.
Support is being paid to people liable to pay Council Tax that are able to afford to pay the Council Tax themselves but are getting a rebate of up to 25% just because someone is unemployed or on a low income in the household. If the liable person cannot get any Council Tax Support then they already have been assessed to be able to afford the Council Tax.	
Does not affect vulnerable groups or affect the incentive to work for the person liable to pay the Council Tax	
Easy to implement	

This option has not been recommended because it does not achieve significant savings.

Changing the amount of some / all non-dependent reductions

- 1.8 A non-dependant is an adult living with the claimant but who is not dependent upon them, and not living in their home on a commercial basis, (i.e. as a joint tenant or sub tenant). Non-dependants include an adult son or daughter, a mother or father, friend, etc of the claimant.
- 1.9 A non-dependent deduction reduces the amount of benefit or support awarded regardless of whether the non-dependent pays the claimant the money but it reflects the extra amount of money coming into the household and therefore is available to help pay housing costs.
- 1.10 Under the current Council Tax Benefit scheme, deductions are made from a persons' Council Tax Benefit for non-dependants aged over 18 who normally live with them based on the income of the non-dependent. There are currently five levels of deduction - £0, £3.30, £6.55, £8.25, £9.90. If the non dependant is out of work or working less than 16 hours a week, the lowest deductions will apply. If the non-dependant is doing paid work for 16 hours or more a week, the level of deduction will depend on the non-dependants gross income – the income is set into 'bands' and the deductions increase as the income increases.
- 1.11 A deduction will not be made from Council Tax Benefit if certain circumstances apply. The current Government has been significantly increasing non-dependent deductions in this Parliament. It is possible to change the rates of deduction by any amount a local authority wishes and this would reduce the amount of CTS awarded. It has been proposed to amend them to £0, £5, £10, £15, £20. Those households with more income will therefore get less support.
- 1.12 It is possible to amend the level of deduction for each 'band' as follows: -

Description of deduction	Amount of Weekly Deduction in 2012/13	Proposed weekly CTS scheme deduction
Adult in receipt of pension credit guarantee credit or saving credit	Nil	Nil
Adult in receipt of employment support allowance (income related) main or assessment phase	Nil	Nil
Adult in receipt of Job Seekers Allowance (Contribution Based) or Employment Support Allowance (Contribution Based)	£3.30	£5.00
Gross Income of adult in remunerative work is less than £183.00 per week	£3.30	£5.00
Gross income of adult in remunerative work is greater than or equal to £183.00 per week but less than £316.00 per week	£6.55	£10.00

Description of deduction	Amount of Weekly Deduction in 2012/13	Proposed weekly CTS scheme deduction
Gross income of adult in remunerative work is greater than or equal to £316.00 per week but less than £394.00 per week	£8.25	£15.00
Gross income of adult in remunerative work is greater than or equal to £394.00 per week	£9.90	£20.00
Adult in receipt of Job Seekers Allowance (income based)	Nil	Nil
Adult in receipt of Income Support	Nil	Nil
Adult working less than 16 hours per week or is on maternity, paternity, adoption or sick leave	£3.30	£5.00
Any other adult not included in the above descriptions	£3.30	£5.00

Advantages of proposal	Disadvantages of proposal
Restricting the increased non-dependant contributions to the working non-dependant could be a fair way of ensuring those non-dependants that are able to pay do so	The liable person could be summonsed for non payment of Council Tax because they have not recouped any money from the non-dependent to help them pay it.
Will prove a more realistic overall household assessment	Some customers may not be able to get the required amount from the non-dependant
Although an increased contribution is expected from the non-dependant, they remain better off staying at home and supporting the payment of Council Tax	Potential adverse impact on family relationships
	Increased pressure on suitable accommodation in the District if older children are forced to leave home
	Another measure introduced in Housing Benefit by Welfare Reform is to increase non dependant deductions taken from Housing Benefit over the next 3 years to bring them up to the level they would have been if they hadn't been frozen since 2001. This means a customer getting Housing Benefit and localised

Advantages of proposal	Disadvantages of proposal
	Support for Council Tax would see significant reductions in financial assistance which they would be expected to find from grown up children still living at home. This would be in addition to anything they would be expected to contribute towards food, fuel etc.

This option has not been recommended because it places additional financial pressures on low income households. It could result in an increased demand on the districts housing stock if non-dependants move out. There would also be an increased challenge in collecting the council tax due as a result of applying increased non-dependant deductions.

Restrictions to a particular Council Tax band E or D or C

- 1.13 Under the current Council Tax Benefit scheme, all of the Council Tax a person is liable to pay is eligible for Council Tax Benefit. This means that anyone from a Band A though to a Band H can get a 100% rebate regardless of the band of the property. There is a presumption behind this proposal that the higher the band the more wealth that the household is likely to have. A home can also be viewed as an asset that can be sold or rented out. The occupier could move to smaller or cheaper accommodation if they need to.
- 1.14 By restricting the Council Tax Support award to either band E, D or C, this restricts the maximum amount that a person liable to pay Council Tax by way of support. This would mean that if the restriction was to Band C, then the maximum amount of support they could get would be fixed at the maximum amount of a Band C, so they would not get a 100% rebate. They would have to pay a proportion of the Council Tax.
- 1.15 Alternatively a local CTS scheme could propose that people from certain bands might be excluded completely from claiming any support if they fall in certain banded property. This would mean that, for example if only those in Band A, B or C were going to be eligible for any support, then those in a higher band would always have to pay their full Council Tax regardless of their circumstances. This would reduce the number of households eligible to claim. This might have serious consequences for vulnerable people.

Pension age claimants will not be affected by any change.

Advantages of proposal	Disadvantages of proposal
It could encourage people to move to smaller more affordable accommodation	It could predominantly affect families in need of larger accommodation or (for homeowners) affect the asset rich on a low income
People in low cost housing will be protected	There might be a need to increase bad debt provision as these debts

Advantages of proposal	Disadvantages of proposal
	may be difficult to collect
Affects lower number of households	The 'capping' would also affect families in private rented accommodation who will have limited income to pay the difference
	This option goes against the premise that CTS is based on income and ability to pay
	Discourages customers taking low paid work
	Does not recognise specific protection of vulnerable groups
	No incentive to work as effect on both in work and out of work is equal
	Not means tested therefore not providing a 'fair' assessment of the household need
	Pensioners who are more likely to own property have full protection

This option has not been recommended because accommodation size is not necessarily an indicator of wealth. Council Tax Support is based on income and ability to pay.

Increasing the taper (the rate at which support is withdrawn as income increases)

- 1.16 Under the current Council Tax Benefit scheme, as a customer's income increases, a taper is applied to reduce the level of benefit paid. This taper applies when a customer has more than a set living allowance. As incomes increase, customers are required to contribute more towards their council tax bill. Currently the taper is 20% for council tax benefit.
- 1.17 Under current rules, for every £1 that a customer has above their living allowance, they are expected to spend 20p of this on council tax. If we increased this contribution (or taper) then as their income increases, support is withdrawn at a greater rate. This could be seen as a disincentive to work or earn more.
- 1.18 When this taper is considered in addition to taper rates in other benefits, and tax and national insurance deductions, there is a risk that claimants lose more money than they actually increase their earnings by.

The taper will remain at 20% for pensioner cases from April 2013.

Advantages of proposal	Disadvantages of proposal
This is an increase to a taper that already exists and brings it more in line with the taper proposed for Universal Credit.	The more the taper is increased the greater the disincentive to work
This is a means tested contribution taken from excess income above the accepted living wage. It will therefore not negatively affect any group above others.	
The increased customer contribution reduces entitlement to support in proportion to their ability to pay.	

This option has not been recommended because increasing taper rates creates a disincentive to work. A key principle of the governments welfare reform programme is to make work pay.

Capping the maximum liability funded for support

- 1.19 Under the current Council Tax Benefit scheme, a person can claim Council Tax Benefit for 100% of their Council Tax liability (net of any other discounts).
- 1.20 By capping the maximum eligibility, this would impose an equal cut on all awards to all working age claimants. This method applied during the period that Community Charge Benefit existed between 1990 and 1993. At that point, the maximum amount that the benefit could cover was 80%, so everyone had to pay 20% of their community charge regardless of their financial circumstances.
- 1.21 Capping support to a set percentage would affect all working-age households getting support. It would generate significant savings, but could dramatically increase the costs of collection. A large number of low value bills would have to be issued and debts pursued from low-income residents who may have little or no means to pay.

Pensioner cases will continue to be eligible for 100% support from April 2013.

Advantages of proposal	Disadvantages of proposal
The scheme is more transparent	It would have the same impact on high needs claimants as those who are not vulnerable.
It would prove easier to explain to prospective new applicants	It would lower the cut-off point for benefit entitlement, so some existing claimants would no longer be eligible at all. This could also be seen as an advantage if the effect of the reform is to provide incentives to work
For households with the same Council Tax Liability this would mean an equal cut in cash terms,	Increased arrears – collecting money from households who may have not paid council tax before.

Advantages of proposal	Disadvantages of proposal
which is more progressive than an equal percentage reduction in benefit award	
The scheme would be easier to administer	Increase in cost of collection
The scheme would be easy to vary for future years	Negative impact on collection rate performance
If this were to be a County wide scheme, it would reduce the prospect of a 'post code lottery'	The ability to pay has not been taken into account.
	Will affect families experiencing other cuts in welfare reform – under occupation, LHA changes and the household benefit cap
	Applies to vulnerable groups
	Disproportionately affects those on lower incomes as they will have to contribute more of their income due to lack of means testing

This option has not been recommended because it does not protect any vulnerable groups. This is a key consideration for local authorities when designing a local scheme due to the statutory duties placed on local authorities.

Limit on minimum entitlement

- 1.22 Current Council Tax Benefit claimants are paid the benefit they are entitled to regardless of whether it is a very low award. If they are only entitled to one penny a week they will get Council Tax Benefit awarded to reduce the amount of Council Tax they pay. In this case their council tax would be reduced by only 52 pence a year. The cost of a second class postage stamp is 50p for comparison. Working-age customers tend to have a number of changes throughout the year so administrating small awards can be result in higher administration costs. Having no limit on the minimum amount could mean that the administration of the award is higher than the actual value of the award.
- 1.23 Having a limit on the minimum amount of council tax support would increase administrative efficiency, reducing the number of low awards with relatively high administration costs. The current minimum weekly award in Housing Benefit is 50p a week. The rate at which the minimum amount is set will determine how much is saved and how many households are affected in each local authority. This could be as low as 50p a week and increase upwards.

The pensioner age scheme will continue to pay Council Tax Support without any minimum amount.

Advantages of proposal	Disadvantages of proposal
Cuts administrative waste and inefficiency	Reduces entitlement
Reduces risk of reputational damage	Financial savings are small
Easy to implement	
Amounts lost by existing recipients are small and not likely to cause any hardship	
Can reduce benefit dependency by removing entitlement	
Administration costs on postage, handling, paper and processing reduced.	

This option has not been recommended because the financial savings are small.

Increasing earning disregards

- 1.24 Under the current Council Tax Benefit scheme, certain incomes are not counted in full, or not counted at all as income. This means the claimant can have more money coming in before the local authority begins to reduce the amount of benefit they get.
- 1.25 Earnings under the current scheme are not fully counted, with disregards being applied for certain categories. The table below shows the current disregard amounts for each group of people.

Earned Income Disregard	Weekly Amounts
Lone Parents	£25.00
Certain people who are disabled or long term sick	£20.00
Certain carers and certain people in the emergency services	£20.00
Single People	£5.00
Couples	£10.00
Children who qualify for Disabled Child Premium	£15.00
Other Children	£5.00
16/30 hours earnings disregard	£17.10

1.26 Increasing the amount disregarded from earnings would mean that claimants in work can keep more money from earnings before their Council Tax Support starts to reduce. This would support the principle of making work pay. A single person under the current scheme will start to lose benefit once they earn over £5 a week. This could be increased by £5 a week so they could keep £10 a week before support starts to be reduced. This could incentivise work.

Advantages of proposal	Disadvantages of proposal
Will encourage people to take lower paid jobs	

This option has been built into the proposed scheme because it meets the government's agenda of making work pay by incentivising work.

Cutting capital limits and/or reducing lower capital threshold

1.27 Under the current Council Tax Benefit scheme, capital can be in the form of land, property (other than the home they live in), stocks and shares, premium bonds, cash and money held in bank or building society accounts.

1.28 If a claimant is of working age, the Local Authority can disregard the first £6,000 of the capital. For each part or full £250 above £6,000, the Local Authority must add £1.00 to the claimant's weekly income – this is known as tariff income. If they have over £16,000 in capital, they will not be eligible to claim Council Tax Benefit.

1.29 The capital limit could be reduced so that the amount of capital that a claimant can hold before becoming ineligible for council tax support is set at any amount between £6,000 and £16,000.

1.30 The lower capital threshold at which capital is disregarded in the calculation of capital tariff income could also be reduced to below the current level of £6000. This option would see claimants with savings pay more towards their council tax.

Pensioners will not be affected as they have protected status.

Advantages of proposal	Disadvantages of proposal
It can be seen as being fairer – if people have sufficient / excess savings support may not be required	Claimants who have worked most of their lives may see this as a punishment for saving.
Would lead to more money being available to support those with greater need	Could be seen as a disincentive to save by the working population
	Other state benefits have higher, centrally set capital limits, which may cause confusion
	Reducing the lower capital threshold will lead to increased implementation costs as capital levels below £6k have not been verified or may not be held on systems

This option has not been recommended because it would increase the administrative burden placed on the local authority and create confusion between Council Tax Support and other benefits. The financial savings are also small.

Appendix 3: Income derived from applying Council Tax Technical changes

Class A

Curent Scheme - 12 Months exemption (undergoing structural repairs)					Revised Scheme - 25% Discount for 12 months				
Band A	Count	2011 Ctax	Total Days	£ Value	Exemption	£ Value	12 Months @ 25% (Days)	£ Value	Potential Saving
Band A	119	£ 916.56	19,510	£ 48,992.02	-	£ -	19,510	£ 12,248.00	£ 36,744.01
Band B	35	£ 1,069.32	5,254	£ 15,392.35	-	£ -	5,254	£ 3,848.09	£ 11,544.26
Band C	29	£ 1,222.08	5,018	£ 16,787.34	-	£ -	5,018	£ 4,196.84	£ 12,590.51
Band D	24	£ 1,374.84	4,020	£ 15,142.07	-	£ -	4,020	£ 3,785.52	£ 11,356.56
Band E	33	£ 1,680.36	1,476	£ 6,795.10	-	£ -	1,476	£ 1,698.77	£ 5,096.32
Band F	26	£ 1,985.88	2,845	£ 15,478.98	-	£ -	2,845	£ 3,869.75	£ 11,609.24
Band G	4	£ 2,291.40	735	£ 4,614.19	-	£ -	735.00	£ 1,153.55	£ 3,460.64
Band H	1	£ 2,749.68	162	£ 1,220.41	£ -	£ -	162.00	£ 305.10	£ 915.30
	271		39,020	£ 124,422.46	-	£ -	39,020	£ 31,105.61	£ 93,316.84

Awarding a 25% discount for 12 months would cost £ 31,105.61

Total	Saving	£ 93,316.84
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Class C exemption for 1 month followed by 5 months at 25% discount.

	Count	2011 Ctax	Total Days	£ Value	Restricted	£ Value	Days @ 0%	£ Value	Maximum Estimate Saving
Band A	2712	916.56	156,799	£ 393,741.62	63,449	£ 159,328.26	93,350	£ 58,603.34	£ 175,810.02
Band B	1416	1069.32	80,422	£ 235,607.82	31,586	£ 92,535.73	48,836	£ 35,768.02	£ 107,304.06
Band C	866	1222.08	51,253	£ 171,603.47	19,213	£ 64,328.28	32,040	£ 26,818.80	£ 80,456.39
Band D	480	1374.84	27,730	£ 104,450.17	10,874	£ 40,958.93	16,856	£ 15,872.81	£ 47,618.43
Band E	251	1680.36	14,424	£ 66,404.14	5,276	£ 24,289.26	9,148	£ 10,528.72	£ 31,586.16
Band F	144	1985.88	9,035	£ 49,157.33	3,261	£ 17,742.34	5,774	£ 7,853.75	£ 23,561.24
Band G	49	2291.4	3,255	£ 20,434.27	1,111	£ 6,974.64	2,144	£ 3,364.91	£ 10,094.72
	5918		342,918	£1,041,398.82	134,770	£ 406,157.45	208,148	£ 158,810.34	£ 476,431.03

Estimated Saving	£ 476,431.03
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The above table models the change to the Council Tax Class C exemption based upon the actual Class C exemptions granted during 2011/12. A change to the length of the exemption and an increase in the amount of council tax charged is likely to drive some changes in behaviour of council tax payers which ultimately will reduce the amount of savings these changes are likely to make.

Class C - 25% discount for 6 months

	Count	2011 Ctax	Total Days	£ Value	Restricted	£ Value	Days @ 0%	£ Value	Maximum Estimate Saving
Band A	2712	916.56	156,799	£ 393,741.62	-	£ -	156,799	£ 98,435.41	£ 295,306.22
Band B	1416	1069.32	80,422	£ 235,607.82	-	£ -	80,422	£ 58,901.95	£ 176,705.86
Band C	866	1222.08	51,253	£ 171,603.47	-	£ -	51,253	£ 42,900.87	£ 128,702.60
Band D	480	1374.84	27,730	£ 104,450.17	-	£ -	27,730	£ 26,112.54	£ 78,337.63
Band E	251	1680.36	14,424	£ 66,404.14	-	£ -	14,424	£ 16,601.04	£ 49,803.11
Band F	144	1985.88	9,035	£ 49,157.33	-	£ -	9,035	£ 12,289.33	£ 36,868.00
Band G	49	2291.4	3,255	£ 20,434.27	-	£ -	3,255	£ 5,108.57	£ 15,325.70
	5918		342,918	£1,041,398.82	-	£ -	342,918	£ 260,349.71	£ 781,049.12

Maximum Estimated Saving	£ 781,049.12
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The above table models the change to the Council Tax Class C exemption based upon the actual Class C exemptions granted during 2011/12. A change to the length of the exemption and an increase in the amount of council tax charged is likely to drive some changes in behaviour of council tax payers which ultimately will reduce the amount of savings these changes are likely to make.



South Kesteven District Council

Equality Analysis (Stage 1)

Localised Council Tax Support

Service Area: Revenues & Benefits	Lead officer: Lee Sirdifield	Date of Analysis 24 July 2012
	Assessors: Lee Sirdifield Krissy Fountain	
	Neutral Assessor: Carol Drury	

1. Name and description of policy/service/function/strategy :

Localised Council Tax Support

The Welfare Reform Act 2010 introduced numerous changes to the way that the welfare benefit system will operate in the future. A major change impacting on local authorities is the replacement of Council Tax Benefit with a localised council tax support system.

Local authorities are required to introduce a new support scheme by January 2013 which will take effect from April 2013. Although Councils have been given an outline framework to work within, the majority of the scheme design has been left to local authority's discretion. There is a requirement to protect pensioners from any changes in the scheme and councils are encouraged to protect vulnerable recipients and incentivise work.

The extent to which a local authority funds the scheme is a local decision. A fixed grant will be allocated to district councils and any major precepting authorities. Should the district council or precepting authorities decide to introduce a scheme which is more financially generous than the government allocation, funding will have to be found from elsewhere.

In Lincolnshire the estimated total funding gap in 2013/14 ranges from £10 million to £11.4 million. This rises by 2017/18, to £11.2 million to £16.5 million. There are many variables that will affect the actual deficit but the model provides an indication of the size of the funding gap for Lincolnshire.

There are a number of options available to South Kesteven District Council:-

- Fund the difference between the grant and the level of Council Tax Support expenditure
- Generate savings from existing budgets;
- Increase Council Tax;
- Reduce the level of CTB to claimants (whilst protecting pensioners);
- Increase income through the new discretions for Council Tax exemptions;
- A combination of the above.

Given the range of priorities faced by South Kesteven District Council, funding the gap is neither realistic or, more importantly, sustainable in the longer term. Therefore initial work has concentrated on additional income generated from the Council Tax exemptions discretions and overall spending reduction in localised council tax benefits.

charge.

Vulnerable Groups

To be treated as vulnerable for Council Tax Support, a customer must either:

- Qualify for a disability, enhanced disability or severe disability premium for the claimant or partner, or
- Qualify for disability or enhanced disability premium for a dependent, or
- Qualify for a disability earnings disregard, or
- Receive a disability related council tax reduction, or
- Be in receipt of a war disability pension, or
- Be in receipt of a war widows pension, or
- Be in receipt of a carers allowance.

Basing the Council Tax Support calculation on 100% maximum eligibility for those listed above will ensure customers in most need due to their vulnerability receive

		<p>protection from this change.</p> <p><u>Non vulnerable Groups</u></p> <p>Although those that do not meet the vulnerability criteria will be negatively impacted by this change, the extent of this impact has been mitigated to some degree by way of an enhanced work incentive.</p> <p>The work incentive is achieved by enhancing the work disregards means that we would take a lower level of earnings into account when calculating council tax support entitlement. This means that a customer in work with the same income as someone out of work will receive more help towards their bill. A customer would keep more money from working before their entitlement is reduced.</p>	
<p>Disability</p>	<p><u>Neutral or positive</u></p>	<p>Offering protection for those with a disability is a local decision. For the purposes of the proposed Council Tax Support Scheme, a customer would be classed as disabled if they:</p> <ul style="list-style-type: none"> • Qualify for a disability, enhanced disability or severe disability premium for the claimant or partner, or • Qualify for disability or enhanced disability premium for a 	

		<ul style="list-style-type: none"> • dependent, or • Qualify for a disability earnings disregard, or • Receive a disability related council tax reduction <p>In these cases, customers should receive the same amount of help towards their council tax bill as they currently do under the national council tax benefit system.</p> <p>Additionally, the work incentive detailed above would also apply to disabled recipients resulting in a positive impact for those who meet the criteria. A disabled customer would not only have their council tax support assessed on the full charge, but would also keep more money from working before their entitlement is reduced.</p>	
Race	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.	
Gender Reassignment	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.	
Religion or Belief	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.	
Sex	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.	

Sexual Orientation:	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Pregnancy and Maternity	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Marriage and Civil Partnership	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Carers	<u>Neutral or positive</u>	<p>Offering protection for those who are carers is a local decision. For the purposes of the proposed Council Tax Support Scheme, a customer would be classed as a carer if they are in receipt of a state carers allowance.</p> <p>In these cases, customers should receive the same amount of help towards their council tax bill as they currently do under the national council tax benefit system.</p> <p>Additionally, the work incentive detailed above would also apply to carers, resulting in a positive impact for those who meet the criteria. A carer would not only have their council tax support assessed on the full charge, but would also keep more money from working before their entitlement is reduced.</p>

<p>Other Groups (e.g. those from deprived (IMD*) communities; those from rural communities, those with an offending past)</p>	<p><u>War Pensioners</u></p>	<p>Offering protection for war pensioners is a local decision. For the purposes of the proposed Council Tax Support Scheme, a customer would be classed as a war pensioner if they are in receipt of a war disablement pension or a war widows pension.</p> <p>In these cases, customers should receive the same amount of help towards their council tax bill as they currently do under the national council tax benefit system.</p> <p>Additionally, the work incentive detailed above would also apply to war pensioners, resulting in a positive impact for those who meet the criteria. A war pensioner would not only have their council tax support assessed on the full charge, but would also keep more money from working before their entitlement is reduced.</p>	
	<p><u>Those on a low income</u></p>	<p>It is the government's intention that local schemes should incentivise those on low incomes to take up employment or increase the number of hours worked. How this is achieved is a local decision.</p> <p>Under the proposed scheme the work incentive is achieved by enhancing the work disregards means that we would take a lower level of earnings into account when calculating</p>	

		council tax support entitlement. This means that a customer in work with the same income as someone out of work will receive more help towards their bill. A customer would keep more money from working before their entitlement is reduced.	
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*(IMD = Indices of multiple deprivation)

3. What equality data/information did you use to inform the outcomes of the proposed policy/service/function/strategy? (Note any relevant consultation who took part and key findings)

To enable the local authority to get a detailed understanding of customers accessing the Benefits Service analysis was undertaken to identify who is currently in receipt of financial assistance from the Council Tax Benefit scheme. This analysis showed that 49% of our customers were of pension age and 51% were of working age. As the legislation provides for the protection of pensioners, no further analysis was required for this group.

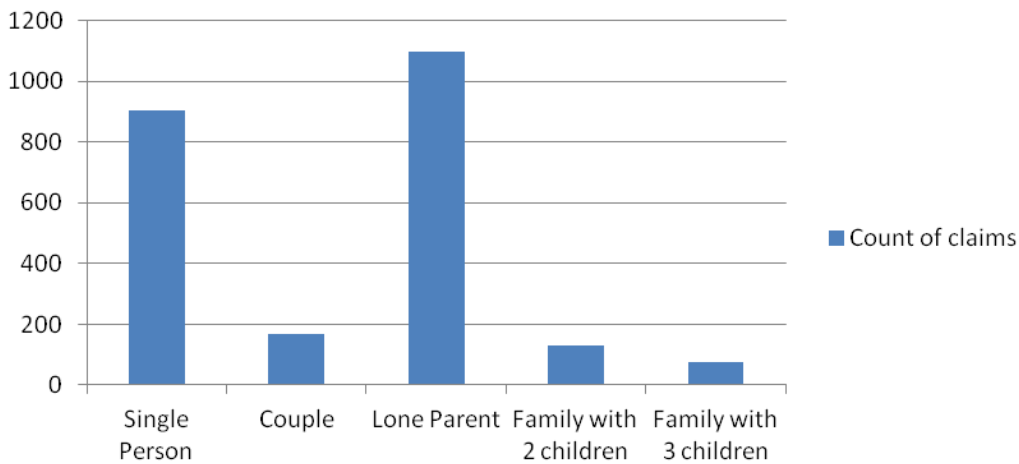
Further analysis was undertaken for working age recipients. From the data held it has been possible to categorise working age recipients into two broad segments with further subsets within each.

Segment One

Customers falling into this group are not subject to a means test under the current Council Tax Benefit rules. Being in receipt of a passported benefit would automatically entitle a customer to 100% assistance with their bill. Examples of these benefits are Income Support, Income Based Jobseekers Allowance and Income Related Employment and Support Allowance.

For this segment, the demography of our caseload is shown on the graph below:

Passported Caseload Profile

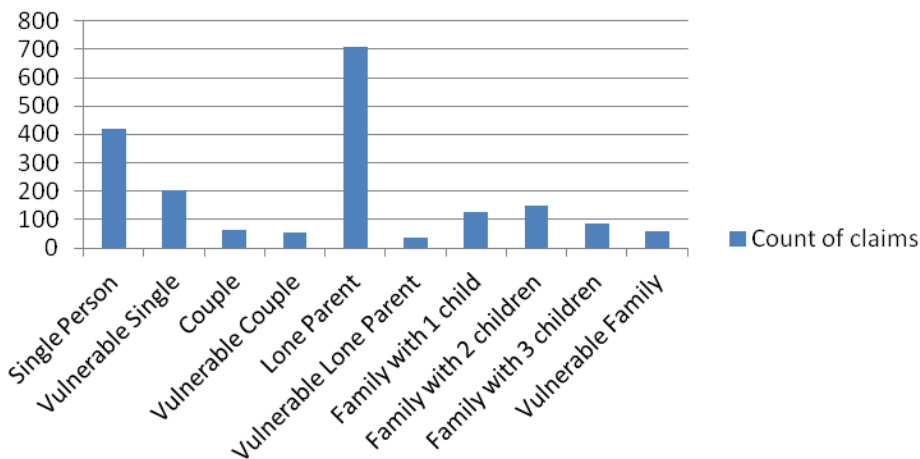


Segment Two

Segment two looks at those who are not automatically in receipt of 100% support towards their bill and would be subject to a means test under the current scheme. Examples of those in this group would include those in employment, those on occupational pensions but under state pension age and those on contribution based benefits.

For this segment, the demography of our caseload is shown on the graph below:

Non-Passported Caseload Profile



A range of potential schemes have been modelled. Each of these would negatively impact on different groups to different levels

Default Scheme

This option would see no change to the new council tax support scheme operating under the same rules as the current council tax benefit system. Whilst those who are receiving council tax support would not be negatively impacted, the operation of this scheme would place an additional financial burden on local authorities due to the reduction in grant from central government.

Other options

The following options have been put forward for consideration. The explanation under each option advises as to what they are (under the current scheme) and how they could be changed and the advantages and disadvantages for each type of change: -

- Abolishing second adult rebate
- Changing the amount of some/all non-dependent reductions
- Restrictions to a particular CTAX band E/D/C
- Increasing the taper (the rate at which support is withdrawn as income increases)
- Capping the maximum liability funded for support
- Minimum entitlement awards
- Increasing earning disregards
- Cutting capital limits and/ or reducing lower capital thresholds

Abolishing Second Adult Rebate

Under the current Council Tax Benefit scheme it is possible for a person liable to pay Council Tax (regardless of their own wealth and means to pay) to claim up to 25% as a second adult rebate. This applies where they have people living in their home who are living on passported social security benefits such as Income support, jobseekers' allowance, employment and support allowance or alternatively are living on a low gross wage or other income below £180 a week.

Second adult rebate is not paid where there is more than one liable person in the home such a couple, or any commercial lodgers or boarders. It is claimed by relatively small numbers of working age households. The second adult rebate is claimed by the person liable to pay Council Tax but is calculated on the incomes and resources of others living in the household.

It can be difficult to administer because the claimant is not aware of the full financial circumstances of other adults living in the home and keeping up to date with changes in circumstances can be forgotten by the claimant. It is not paid at the same time as normal Council Tax Support.

It is possible to amend the current scheme by changing the rates at which it is paid or limiting to just passported benefit second adults but this would not achieve significant savings and make it more complex to administer.

Second Adult Rebate will remain in place for pensioners from April 2013 under the pensioners' scheme.

Advantages of proposal	Disadvantages of proposal
Small numbers of households affected	Second adults living in the home might not be contributing to the household expenses including Council Tax.
Amounts paid to claimants are relatively small	The scheme would not be available to working-age claimants but it would be available to pension age customers.
Support is being paid to people liable to pay Council Tax that are able to afford to pay the Council Tax themselves but are getting a rebate of up to 25% just because someone is unemployed or on a low income in the household. If the liable person cannot get any Council Tax Support then they already have been assessed to be able to afford the Council Tax.	
Does not affect vulnerable groups or affect the incentive to work for the person liable to pay the Council Tax	
Easy to implement	

Changing the amount of some / all non-dependent reductions

A non-dependant is an adult living with the claimant but who is not dependent upon them, and not living in their home on a commercial basis, (i.e. as a joint tenant or sub tenant). Non-dependants include an adult son or daughter, a mother or father, friend, etc of the claimant.

A non-dependent deduction reduces the amount of benefit or support awarded regardless of whether the non-dependent pays the claimant the money but it reflects the extra amount of money coming into the household and therefore is available to help pay housing costs.

Under the current Council Tax Benefit scheme, deductions are made from a persons' Council Tax Benefit for non-dependants aged over 18 who normally live with them based on the income of the non-dependent. There are currently five levels of deduction - £0, £3.30, £6.55, £8.25, £9.90. If the non dependant is out of work or working less than 16 hours a week, the lowest deductions will apply. If the non-dependant is doing paid work for 16 hours or more a week, the level of deduction will depend on the non-dependants gross income – the income is set into 'bands' and the deductions increase as the income increases.

A deduction will not be made from Council Tax Benefit if certain circumstances apply. Non-dependent deduction rates were not increased from 2001. The current Government has been significantly increasing non-dependent deductions in this Parliament. It is possible to change the rates of deduction by any amount a local authority wishes and this would reduce the amount of CTS awarded. It has been proposed to amend them to £0, £5, £10, £15, £20. Those getting more money coming in to the household will therefore get less support.

It is possible to amend the level of deduction for each 'band' as shown: -

Description of deduction	Amount of Weekly Deduction in 2012/13	Proposed weekly CTS scheme deduction
Adult in receipt of pension credit guarantee credit or saving credit	Nil	Nil
Adult in receipt of employment support allowance (income related) main or assessment phase	Nil	Nil
Adult in receipt of Job Seekers Allowance (Contribution Based) or Employment Support Allowance (Contribution Based)	£3.30	£5.00
Gross Income of adult in remunerative work is less than £183.00 per week	£3.30	£5.00
Gross income of adult in remunerative work is greater than or equal to £183.00 per week but less than £316.00 per week	£6.55	£10.00
Gross income of adult in remunerative work is greater than or equal to £316.00 per week but less than £394.00 per week	£8.25	£15.00
Gross income of adult in remunerative work is greater than or equal to £394.00 per week	£9.90	£20.00
Adult in receipt of Job Seekers Allowance (income based)	Nil	Nil
Adult in receipt of Income Support	Nil	Nil
Adult working less than 16 hours per week or is on maternity, paternity, adoption or sick leave	£3.30	£5.00
Any other adult not included in the above descriptions	£3.30	£5.00

Advantages of proposal	Disadvantages of proposal
Restricting the increased non-dependant contributions to the working non-dependant could be a fair way of ensuring those non-dependants that are able to pay do so	The liable person could be summonsed for non payment of Council Tax because they have not recouped any money from the non-dependent to help them pay it.
Will prove a more realistic overall household assessment	Some customers may not be able to get the required amount from the non-dependant
Although an increased contribution is expected from the non-dependant, they remain better off staying at home and supporting the payment of Council Tax	Potential adverse impact on family relationships
	Increased pressure on suitable accommodation in the District if older children are forced to leave home
	<p>Another measure introduced in Housing Benefit by Welfare Reform is to increase non dependant deductions taken from Housing Benefit over the next 3 years to bring them up to the level they would have been if they hadn't been frozen since 2001.</p> <p>This means a customer getting Housing Benefit and localised Support for Council Tax would see significant reductions in financial assistance which they would be expected to find from grown up children still living at home. This would be in addition to anything they would be expected to contribute towards food, fuel etc.</p>

Restrictions to a particular Council Tax band E or D or C

Under the current Council Tax Benefit scheme, all of the Council Tax a person is liable to pay is eligible for Council Tax Benefit. This means that anyone from a Band A though to a Band H can get a 100% rebate regardless of the band of the property. There is a presumption behind this proposal that the higher the band the more wealth that the household is likely to have. A home can also be viewed as an asset that can be sold or rented out. The occupier could move to smaller or cheaper accommodation if they need to.

By restricting the Council Tax Support award to either band E, D or C, this restricts the maximum amount that a person liable to pay Council Tax by way of support. This would mean that if the restriction was to Band C, then the maximum amount of support they could get would be fixed at the maximum amount of a Band C, so they would not get a 100%

rebate. They would have to pay a proportion of the Council Tax.

Alternatively a local CTS scheme could propose that people from certain bands might be excluded completely from claiming any support if they fall in certain banded property. This would mean that, for example if only those in Band A, B or C were going to be eligible for any support, then those in a higher band would always have to pay their full Council Tax regardless of their circumstances. This would reduce the number of households eligible to claim. This might have serious consequences for vulnerable people.

Pension age claimants will not be affected by any change.

Advantages of proposal	Disadvantages of proposal
It could encourage people to move to smaller more affordable accommodation	It could predominantly affect families in need of larger accommodation or (for homeowners) affect the asset rich on a low income
People in low cost housing will be protected	There might be a need to increase bad debt provision as these debts may be difficult to collect
Affects lower number of households	The 'capping' would also affect families in private rented accommodation who will have limited income to pay the difference
	This option goes against the premise that CTS is based on income and ability to pay
	Discourages customers taking low paid work
	Does not recognise specific protection of vulnerable groups
	No incentive to work as effect on both in work and out of work is equal
	Not means tested therefore not providing a 'fair' assessment of the household need
	Pensioners who are more likely to own property have full protection

Increasing the taper (the rate at which support is withdrawn as income increases)

Under the current Council Tax Benefit scheme, the taper is the level that all customers are expected to pay out of their 'excess income' when their income exceeds their living allowance and contribute towards their council tax bill. Currently the taper is 20% for council tax benefit.

This means that under current rules, for every £1 that a customer has above their living allowance, they are expected to spend 20p of this on council tax. By increasing the taper, the rate at which support is withdrawn as their income increases, will mean that there is a risk that it becomes a disincentive to work or earn more. The amount of Council Tax a person has to pay is always capped to the maximum liability so once they cease to get CTS

then there is no further disincentive to work more.

When this taper is added to other taper rates in other benefits and tax and national insurance deductions there is a risk that for every extra pound earned the claimant loses more money than they actually increase their earnings.

The taper will remain at 20% for pensioner cases from April 2013.

Advantages of proposal	Disadvantages of proposal
This is an increase to a taper that already exists and brings it more in line with the taper proposed for Universal Credit.	The more the taper is increased the greater the disincentive to work
This is a means tested contribution taken from excess income above the accepted living wage. It will therefore not negatively affect any group above others.	
The increased customer contribution reduces entitlement to support in proportion to their ability to pay.	

Capping the maximum liability funded for support

Under the current Council Tax Benefit scheme, a person can claim Council Tax Benefit for 100% of their Council Tax liability whether it is net of any other discounts or not.

By capping the maximum eligibility, this would impose an equal cut on all awards to all working age claimants. This method applied during the period that Community Charge Benefit existed between 1990 to 1993. At that point, the maximum amount that the benefit could cover was 80%, so everyone had to pay 20% of their community charge regardless of their financial circumstances.

Capping benefit to a set percentage to fill the funding gap affects all working-age households getting support. It generates significant savings from the scheme to fill the funding gap, but it can dramatically increase the costs of collection, due to the number of low value bills that have to be issued and pursued from low-income residents who may have little or no means to pay.

Pensioner cases will continue to be eligible for 100% support from April 2013.

Advantages of proposal	Disadvantages of proposal
The scheme is more transparent	It would have the same impact on high needs claimants as those who are not vulnerable.
It would prove easier to explain to prospective new applicants	It would lower the cut-off point for benefit entitlement, so some existing claimants would no longer be eligible at all. This could also be seen as an advantage if the effect of the reform

	is to provide incentives to work
For households with the same Council Tax Liability this would mean an equal cut in cash terms, which is more progressive than an equal percentage reduction in benefit award	Increased arrears – collecting money from a lot of household who (potentially) have not paid council tax before.
The scheme would be easier to administer	Increase in cost in collection
The scheme would be easy to vary for future years	Negative impact on collection rate performance
If this were to be a County wide scheme, it would reduce the prospect of a 'post code lottery'	The ability to pay has not been taken into account.
	Will affect families experiencing other cuts in welfare reform – under occupation, LHA changes and the household benefit cap
	Applies to vulnerable groups
	Disproportionately affects those on lower incomes as they will have to pay more of their income due to lack of means testing

Minimum entitlement awards

Claimants for Council Tax Benefit currently get benefit regardless of the actual amount that is awarded, so if they are entitled to one penny a week, then they will get Council Tax Benefit awarded to reduce the amount of Council Tax they pay at that rate. In this case they would get 52 pence a year taken off their Council Tax. There is no minimum amount that can be awarded under the current scheme so an award of one penny is possible. The cost of a second class postage stamp is 50p for comparison.

A minimum amount would increase administrative efficiency so that only those claims that will have a significant effect on the Council Tax bill would actually be awarded. Working-age customers tend to have a number of changes throughout the year so administering small awards can be result in higher administration costs. The current minimum weekly award in Housing Benefit is 50p a week.

The rate at which it is decided to set the minimum amount will determine how much is saved and how many households are affected in each local authority. This could be as low as 50p a week and increase upwards.

The pensioner age scheme will continue to pay Council Tax Support without any minimum amount.

Advantages of proposal	Disadvantages of proposal
Cuts administrative waste and inefficiency	Reduces entitlement
Reduces risk of reputational damage	Financial savings are small
Easy to implement	
Amounts lost by existing recipients are small and not likely to cause any hardship	
Can reduce benefit dependency by removing entitlement	
Administration costs on postage, handling, paper and processing reduced.	

Increasing earning disregards

Under the current Council Tax Benefit scheme, certain incomes are not counted in full or fully disregarded so are not counted as income. This means the claimant can have more money coming in before the LA begins to reduce the amount of benefit they get.

Earnings under the current scheme are not fully counted, with disregards applied for certain categories shown below. For those who are means-tested for council tax benefit, i.e. those with low levels of earnings but in financial need, there are thresholds and disregards for earned and unearned income which determine how much council tax benefit is awarded.

By increasing the disregards, different amounts will be disregarded from earnings in order to reflect the needs of different types of household and to support the aim that work pays. It is possible to increase the amount disregarded from earnings so that people in work can keep more money from working before their Council Tax Support starts to reduce. A single person at the moment will start to lose benefit once they earn over £5 a week. This could be increased by £5 a week so they could keep £10 a week before support starts to be reduced. This could incentivise work.

The table below shows the current disregard amounts for each group of people.

Earned Income Disregard	Weekly Amounts
Lone Parents	£25.00
Certain people who are disabled or long term sick	£20.00
Certain carers and certain people in the emergency services	£20.00
Single People	£5.00
Couples	£10.00
Children who qualify for Disabled Child Premium	£15.00
Other Children	£5.00
16/30 hours earnings disregard	£17.10

Advantages of proposal	Disadvantages of proposal
Will provide the safety nets that people need to move into work or set up their own businesses.	
Will encourage people to take lower paid jobs	

Cutting capital limits and/or reducing lower capital threshold

Under the current Council Tax Benefit scheme, Regulations state that capital is any savings a person has. This can be in the form of land, property (other than the home they live in), stocks and shares, premium bonds, cash and money held in bank or building society accounts.

If a claimant is of working age, the Local Authority can disregard the first £6,000 of the capital. For each part or full £250 above £6,000, the Local Authority must add £1.00 to the claimants weekly income – this is known as tariff income. If they have over £16,000 in capital, they will not be eligible to claim Council Tax Benefit, unless this money is from a compensation or Prisoner Of War payment.

It could be proposed that the maximum amount of capital that a claimant may hold before becoming ineligible for council tax support may be set at any amount between £6,000 and £16,000.

It could also be proposed that the lower capital threshold at which capital is disregarded in the calculation of capital tariff income is set at a rate between £3,000 and £16,000 instead of the current £6,000. This option is to make claimants pay more towards their council tax if they have savings by reducing the thresholds.

Pensioners will not be affected as they have protected status.

Advantages of proposal	Disadvantages of proposal
It can be seen as being fairer – if people have sufficient / excess savings support may not be required	Claimants who have worked most of their lives may see this as a punishment for saving.
Would lead to more money available to support those with greater need	Could be seen as a disincentive to save by the working population
	Other state benefits have higher, centrally set capital limits, which may cause confusion
	Reducing the lower capital threshold will lead to increased implementation costs as capital levels below £6k have not been verified or may not be held on systems

As can be seen from the information above, each of these schemes have a range of advantages and disadvantages. The option being proposed by officers takes many of the positive elements of other schemes

Detailed analysis of our caseload has enabled us to model the impact of each of these

changes. Through combining different components and varying the types of restricts or incentives put in place, a scheme has been designed that takes into account the needs of vulnerable groups whilst providing an improved work incentive for those in employment.

The working age scheme being proposed to members has the following characteristics:

- 80% maximum eligibility for those who do not fall into a vulnerable group
- 100% maximum eligibility for vulnerable customers
- No band restrictions
- Carers, disabled and war pensioners protected
- Inclusion of enhanced working disregards

Analysis has been completed against this scheme to establish the how many people in different groups would be affected by the changes, how many would be protected and potential effect it would have on household budgets.

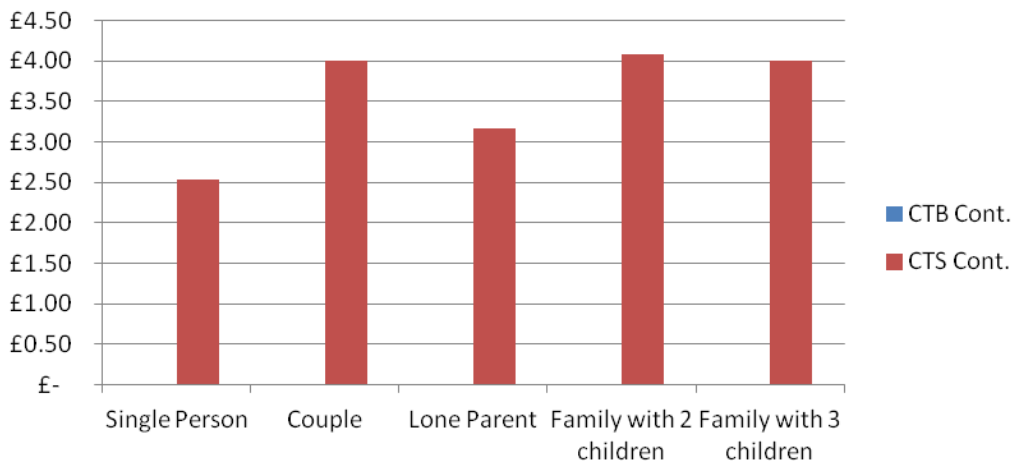
The tables overleaf provide information on the demographic makeup of our current caseload:

Passported	Average Net weekly income	Count of claims
Single Person	£71.00	906
Couple	£111.45	169
Lone Parent	£198.88	1098
Family with 2 children	£258.83	132
Family with 3 children	£323.82	75

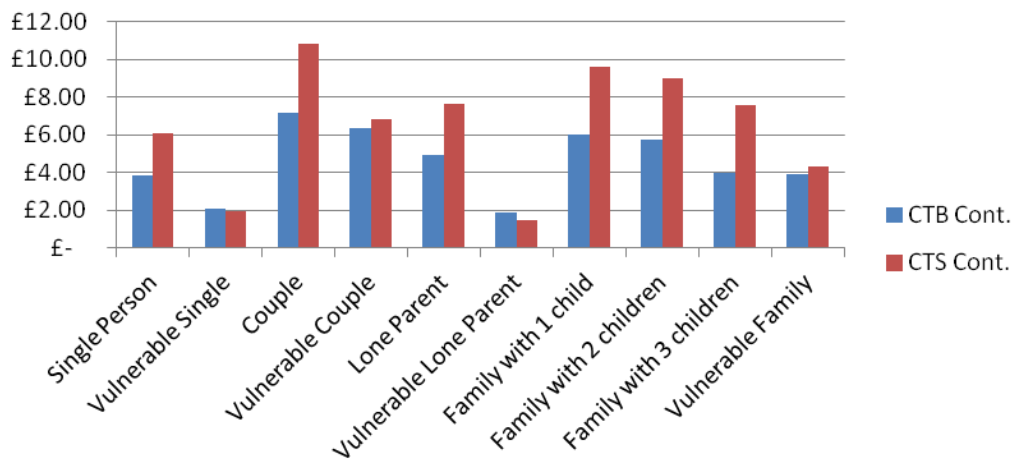
Non passported	Average Net weekly income	Count of claims
Single Person	£96.75	421
Vulnerable Single	£160.47	201
Couple	£156.64	61
Vulnerable Couple	£285.30	54
Lone Parent	£292.87	707
Vulnerable Lone Parent	£285.65	37
Family with 1 child	£246.45	127
Family with 2 children	£330.18	150
Family with 3 children	£378.25	88
Vulnerable Family	£422.95	57

The graphs below show the amount of money an average household would have to contribute towards their Council Tax bill should the proposed scheme be adopted compared to the current contribution under the Council Tax Benefit scheme:

Passported Contribution



Non-Passported Contribution

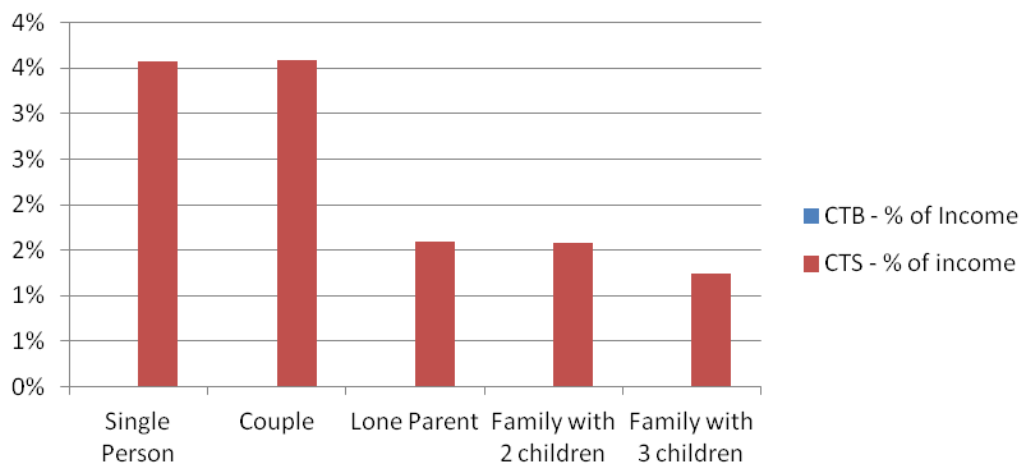


As can be seen from the graphs, those on passported benefits currently do not contribute towards the council tax bill. Under the proposed scheme a contribution of between £2.54 per week and £4.08 per week would be required.

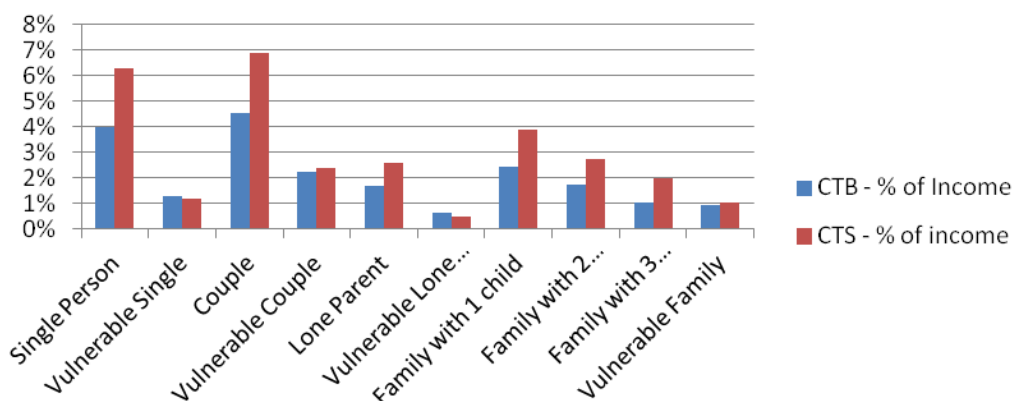
For those not on a passported benefit, a typical customer would be required to contribute something towards their Council Tax bill. Currently, average contributions range between £1.85 per week and £7.13 per week. Under the proposed scheme the range of contributions would increase to £1.91 per week to £10.79 per week.

The graphs below show the percentage of income an average household would have to contribute towards their Council Tax bill should the proposed scheme be adopted compared to the current contribution under the Council Tax Benefit scheme:

Passported Contribution as % of income



Non-Passported Contribution as % of income



As can be seen from the graphs, those on passported benefits currently do not contribute towards the council tax bill. Under the proposed scheme a contribution of between 1% per week and 4% per week would be required.

For those not on a passported benefit, a typical customer would be required to contribute something towards their Council Tax bill. Currently, average contributions range between 1% per week and 5% per week. Under the proposed scheme the range of contributions would increase to 1% per week to 7% per week.

If there are any gaps in the consultation/monitoring data, how will this be addressed?

We have undertaken detailed analysis of persons affected by the proposed changes. The Benefits Department holds a comprehensive data set for its service users which has allowed detailed analysis and modelling to be completed. This has enabled us to identify who would be affected by the changes and to what degree.

It is recognised that whilst this data provides a clear statistical analysis of those affected financially it does not take into account the effects of the changes at a personal level. To inform officers and members fully we will be undertaking an eight week consultation with

those affected and their representative groups. This will allow a more comprehensive analysis to be undertaken at stage two of the council's process.

4. Outcomes of analysis and recommendations (please note you will be required to provide evidence to support the recommendations made): Please tick one of the options.

a. No major change needed: equality analysis has not identified any potential for discrimination or for negative impact and all opportunities to promote equality have been taken

If you have ticked option (a) go to stage 3

b. Adjust the proposal to remove barriers identified by equality analysis or to better promote equality. **Please complete the questions in the box below.**

b.1 In brief, what changes are you planning to make to your proposed policy/service/function/strategy to minimise or eliminate the negative equality impacts?

b.2 Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

If you have ticked option b go to Stage 2

c. Adverse impact but continue **Please provide an explanation in the box below that clearly sets out your justification for continuing with the proposed policy/function/service/strategy. You should consider in stage 2 whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact.**

There is a statutory requirement to introduce a council tax support scheme that will run from 1 April 2013. The analysis completed to date has enabled us to mitigate some of the negative impacts on vulnerable groups whilst still providing an enhanced work incentive.

Cabinet members will be presented with a proposal on 20 August 2012. Informal consultation will be undertaken with major preceptors between 7 August 2012 and 20 August 2012. Subject to cabinet approval, formal consultation will then be undertaken with these bodies between 21 August 2012 and 7 September 2012.

We will communicate the proposed plans and consult with persons affected by the proposed council tax support scheme between 10 September 2012 and 2 November

2012 – a period of 8 weeks. This consultation will help inform future equality assessments and test the data that has been used to model impacts so far. Stage two of the equality analysis will be completed following public consultation.

If you have ticked option c please go to Stage 2

d. Stop and remove the policy/function/service/strategy as equality analysis has shown actual or potential unlawful discrimination

Signed (Lead Officer): Lee Sirdifield

Date completed: 24 July 2012



South Kesteven District Council

Equality Analysis (Stage 1)

Council Tax Technical Changes

Service Area: Revenues & Benefits	Lead officer: Lee Sirdifield	Date of Analysis 2 August 2012
	Assessors: Lee Sirdifield Krissy Fountain	
	Neutral Assessor: Carol Drury	

5. Name and description of policy/service/function/strategy :

Council Tax Technical Changes

The Government proposes to allow billing authorities greater discretion over applying discounts and exemptions for certain categories of property from April 2013. It is estimated that this could generate additional revenue of £420 million in England (excluding the empty homes premium). These proposals are detailed in the Local Government Finance Bill published on 19 December 2011. To date, regulations are yet to be published so the authority has no legal power to introduce the proposed changes. Regulations are due to be published later this year.

Each billing authority will need to consider how it wishes to address the new discretions, and options will range from making no changes to the current scheme, to applying the maximum discretion (therefore generating more council tax income).

In the event that a billing authority applies the maximum discretions, it must then decide whether to use the additional income to i) help mitigate the impact of localisation of Council Tax Support, ii) help to reduce any future council tax increases or iii) be used to support delivery of the Council's priorities in the future.

The Government proposals allow amendments to be made to exemption classes A and C. Class A relates to a vacant dwelling where major repair works or structural alterations are required, underway or recently completed. Class C relates to vacant dwellings, unoccupied and substantially unfurnished.

Following the consultation process the Government has responded by confirming its intention to abolish the Class A and Class C exemption, and giving the power to billing authorities to give a discount of up to 100%. They have stated that the period of the discount for Class A will be for one year, being the same period as the current exemption. For Class C we are able to vary the rate and length of discount.

Is this a new or existing policy?

This is a new policy

6. Complete the table below, considering whether the proposed policy/service/function/strategy could have any potential positive, or negative impacts on groups from any of the protected characteristics (or diversity strands) listed, using demographic data, user surveys, local consultations evaluation forms, comments and complaints etc.

Equality Group	Does this policy/service/function/strategy have a positive, or negative impact on any of the equality groups? Please state which for each group	Please describe why the impact is positive, or negative. If you consider this policy etc is not relevant to a specific characteristic please explain why
Age	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group
Disability	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Race	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Gender Reassignment	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Religion or Belief	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Sex	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Sexual Orientation:	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Pregnancy and Maternity	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Marriage and Civil Partnership	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
Carers	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.

Other Groups (e.g. those from deprived (IMD*) communities; those from rural communities, those with an offending past)	<u>Not relevant</u>	The proposed scheme does not impact specifically on this group.
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***(IMD = Indices of multiple deprivation)**

7. What equality data/information did you use to inform the outcomes of the proposed policy/service/function/strategy? (Note any relevant consultation who took part and key findings)

To enable the local authority to get a detailed understanding of the likely impact of amending the Class A and Class C exemptions detailed analysis was undertaken. This analysis showed how many of each class of exemptions were awarded during the last financial year and the band of the property that the exemption was awarded against. Analysis was also completed to understand the typical length of an exemption.

A 25% discount for Class A would generate additional income for the council and go some way towards meeting the council's strategic objectives.

Two options are proposed for Class C. Option one is a one month exemption with a 25% discount for the remaining five months. Option two is a one month exemption with a 20% discount for the remaining five months. Both of these options would generate additional income for the Council.

It should be recognised that there will be an impact upon the council tax payer along with an increased cost of collection and bad debt provision. For this additional income to be realised the local authority must collect the extra amount of council tax being charged. There is the potential for an increase in the number of small debts that will be written off. It may be uneconomic for the council to pursue some of these debts, which would result in a higher administrative burden, reduced collection and a bigger bad debt provision.

Amending the Class C exemption in this way will impact on private landlords, registered social landlords, and the housing stock retained by the local authority. At the moment due to the six month exemption period under Class C, there is normally ample opportunity for these groups to find the next tenant and make repairs / decorate the property without incurring any charge. Each of these groups would therefore incur additional expenditure.

Typically those receiving a Class C exemption will be landlords. Providing a one month exemption for Class C allows ample opportunity to find the next tenant and make repairs / decorate the property without making any charge. The one month exemption also provides sufficient time for those changing address to transfer from one property to another.

8. **Outcomes of analysis and recommendations (please note you will be required to provide evidence to support the recommendations made): Please tick one of the options.**
- e. **No major change needed: equality analysis has not identified any potential for discrimination or for negative impact and all opportunities to promote equality have been taken**

If you have ticked option (a) go to stage 3

- f. **Adjust the proposal to remove barriers identified by equality analysis or to better promote equality.** **Please complete the questions in the box below.**

b.1 In brief, what changes are you planning to make to your proposed policy/service/function/strategy to minimise or eliminate the negative equality impacts?

b.2 Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

If you have ticked option b go to Stage 2

- g. **Adverse impact but continue** **Please provide an explanation in the box below that clearly sets out your justification for continuing with the proposed policy/function/service/strategy. You should consider in stage 2 whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact.**

As indicated above it has not been identified that the proposed Council Tax Technical Changes will negatively impact on any specific group in terms of protected characteristics.

It is accepted that for some the proposed changes will have a negative impact on some council tax payers. The design of the technical changes has considered the impact on groups such as landlords and as a result, a one month exemption has been proposed to reduce the level of the impact.

A stage 2 review will be undertaken after the changes have been implemented to monitor the actual impact and inform future decisions.

If you have ticked option c please go to Stage 2

h. Stop and remove the policy/function/service/strategy as equality analysis has shown actual or potential unlawful discrimination

Signed (Lead Officer): Lee Sirdifield

Date completed: 2 August 2012