



- Body:** Full Council
- Date:** 16 January 2013
- Subject:** Local Council Tax Reduction Scheme and Discounts & Exemptions Policy
- Report of:** Ian Fitzpatrick, Senior Head of Community
- Ward(s)** All
- Purpose** To consider and approve a new scheme for Council Tax Reduction and a new Policy for Discounts & Exemptions
- Decision Type:** Policy Framework
- Recommendations:**
1. To agree the proposed Local Council Tax Support Scheme for Eastbourne Borough Council.
 2. To delegate authority to the Senior Head of Community in consultation with the Chief Finance Officer to make minor amendments to the text of the final scheme.
 3. Accordingly to make the "Eastbourne Borough Council - Council Tax Reduction Scheme s13A and Schedule1A of the Local Government Finance Act 1992" as set out in Appendix G
 4. To agree that the Chief Finance Officer be authorised to take all appropriate steps to implement and administer the scheme, including (1) publishing the scheme in accordance with statutory requirements, (2) applying for any funding for which the Council may be eligible, and (3) responding to any other government initiatives or consultation exercises;
 5. To agree that the Head of Legal be authorised to make suitable amendments to the Council's Constitution to reflect the council's new functions in relation to council tax reduction schemes.
 6. To set the discount for second homes at 0%;
 7. To set the discount exemption for dwellings in Class A at 50%;
 8. To set the exemption for dwellings in Class C at a discount of 100% for a period of one month; and

9. To set a premium of 50% for dwellings empty and unfurnished for more than two years which are not being actively marketed for sale or rent.

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1.0 Background/Introduction

- 1.1 There will no longer be a national Council Tax Benefits system from 1 April 2013. Instead the Council is required to introduce its own Local Council Tax Support Scheme. The Government's assumptions following the last Comprehensive Spending Review is that there will be a 10% reduction in expenditure through these changes from 1 April 2013 and that it will be for local authorities to determine how to manage that funding reduction.
- 1.2 The timelines to develop and implement a new system have been very challenging and there are a number of constraints on the choices available to the Council. This report highlights some of the key issues that were considered and describes the process of developing the scheme including the widespread engagement and consultation that will inform the decision of Council. Alongside this the Council have proposed and consulted on changes to Council Tax discounts and exemptions.
- 1.3 Given the scale of the task, the five district and borough councils in East Sussex set up a project team to work collaboratively. The aim of the project was to devise a county-wide scheme that took advantage of the opportunities presented from the changes to discounts and exemptions to mitigate the financial affect on those claimants who would be affected by the 10% cut in funding. Council Leaders and Chief Executives endorsed this approach as a key principle.

2.0 Government Policy Context

- 2.1 1. Localising support for council tax in England is intended to:
 - (a) Give local authorities a significant degree of control over how a 10% reduction in expenditure on the current Council Tax Benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances;
 - (b) Give local authorities a financial stake in the provision of support for Council Tax and so a greater stake in the economic future of their local area, so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country. This reform will create stronger incentives for councils to get people back into work and so support the positive work incentives that will be introduced through the Government's plans for Universal Credit;

- (c) Provide local authorities with the opportunity to reform the system of support for working age claimants, and

Reinforce local control over Council Tax. Enabling decisions to be taken locally about the provision for support with Council Tax is consistent with a drive for greater local financial accountability and decision-making, including Government's proposals for local referendums on Council Tax levels.

3.0 Local Government Finance Act provisions

3.1 Eastbourne Borough council, as a Billing Authority, is responsible for making a Council Tax Support Scheme. Schemes are expected to set out:

- (d) Which class of people qualify. The legislation defines Class in terms of:
- i) the income of any person liable to pay council tax to the authority in respect of a dwelling;
 - ii) the capital of any such person;
 - iii) the income and capital of any other person who is a resident of the dwelling;
 - iv) the number of dependants of any person above;
 - v) whether the person has made an application for the reduction.
- (e) What reduction each class of person is entitled to. Reductions can be:
- i) a discount calculated as a percentage of the amount which would be payable apart from the scheme,
 - ii) a discount of an amount set out in the scheme or to be calculated in accordance with the scheme,
 - iii) expressed as an amount of council tax to be paid (lower than the amount which would be payable apart from the scheme) which is set out in the scheme or is to be calculated in accordance with it, or
 - iv) the whole amount of council tax (so that the amount payable is nil).
- (f) How someone makes an application for a reduction.
- (g) How someone appeals against a decision involving their entitlement and/or the amount of the reduction.

3.2 Before making the scheme the Council must, in the following order:

- (a) Consult major preceptors (County, Fire and Police); then
- (b) Publish a draft scheme; then
- (c) Consult such other persons as it considers are likely to have an interest in the operation of the Scheme

- 3.3 The Secretary of State has wide scope to make Regulations about the schemes. He can also make a Default Scheme which will apply if the Council fails to make a Scheme on or before 31 January 2013.
- 3.4 The Council must review the Scheme every year and any changes need to go through the above process. A Scheme needs to be in place by 31 January preceding the financial year it applies to.

4.0 Government Statement of Intent

- 4.1 On 18 May 2012 the Government published its Statement of Intent. These set out the Government's plans for regulations providing for Localised Council Tax Schemes in England. They are intended to provide clarity on what regulations will cover, to support local authorities in developing their plans for local schemes. The Statement of Intent is available online and a link to them is included below so that Members can be fully informed of Government intentions and understand the application of the "Default Scheme".

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6091/2146581.pdf

5.0 Protected Groups

- 5.1 The government has issued on advice on protecting key groups of benefit recipients. "Localising support for Council Tax: vulnerable people - key local authority duties". The document is available online at the link below.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/6074/2148567.pdf

5.2 Pensioners

The Government has stated that Council Tax support for older people will not be reduced as a result of the introduction of this reform. This is because the Government wants to ensure that low income pensioners, who would struggle to pay Council Tax without additional support, and whom the Government does not expect to work to increase their income, will continue to receive support for their Council Tax. Pensioner protection will be achieved by keeping in place national rules.

- 5.3 The definition of a "pensioner" is if they have attained the qualifying age for state pension credit. This is defined by the State Pension Credit Act 2002 as: 'in the case of a *woman*, pensionable age, and in the case of a *man*, the age which is pensionable age in the case of a woman born on the same day as a man'. Women's pensionable age, as set out in the Pensions Act 1995 (S126 and Schedule 4), is gradually changing over a 10-year period to equalise with that of men. It currently stands at just over 61.
- 5.4 The effect of pensioner protection means that any reduction in expenditure will need to be delivered across the other claimant groups.

5.5 Vulnerable Groups

The Council needs to give consideration to vulnerable groups in the design of

its Council Tax Support Scheme. The Government's consultation response was less prescriptive about how this should be done than perhaps originally envisaged. Rather the Government has drawn councils' attention to existing responsibilities including the Child Poverty Act 2010, the Disabled Person Act 1986 and the Housing Act 1996 as well as the Public Sector Equality Duty in section 149 of the Equality Act 2010.

- 5.6 Decisions about vulnerability will need to be made in the broader context of welfare reform which includes reductions in Housing Benefit levels, caps on benefit amounts and changes to national benefits with the transition to Universal Credit.
- 5.7 The approach to community engagement and consultation and Equalities & Fairness Analysis are an important part of the process of identifying vulnerable groups and the levels of protection. More information is set out on this at section 10.0 of this report.

5.8 **Armed Forces**

The Department for Communities and Local Government (DCLG) has given guidance to local authorities regarding the Armed Forces Community Covenant.

The Covenant sets out the relationship between the Nation, the State and the Armed Forces and recognises that the whole nation has a moral obligation to members of the Armed Forces and their families, and it establishes how they should expect to be treated.

It exists to redress the disadvantages that the Armed Forces community face in comparison to other citizens, and to recognise sacrifices made. In some cases this will require special consideration, especially for those who have given the most such as the injured and the bereaved.

- 5.9 Under the existing Council Tax Benefit Regulations 2006, local authorities have been required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments when assessing entitlement to Council Tax Benefit.

In addition, local authorities currently have discretion to top-up the disregard to the full amount and they have been encouraged by DCLG to do so in line with Armed Forces Covenant Principles and this option is still open to local authorities in designing a new system.

- 5.10 The scheme recommended to each Council in East Sussex will propose that in addition to war widow's, war widower's and war disablement pensions, guaranteed income payments (including survivor's guaranteed income payments under the Armed Forces Compensation Scheme) be disregarded in full for working age claimants thus ensuring that receipt of these incomes do not impact upon their Council Tax Support entitlement.
- 5.11 The Government regulations that cover pensionable age claimants only provide for £10 per week to be disregarded from the receipt of the above pensions. Up to the 31 March 2013 councils have been permitted to operate a local scheme whereby these pensions are disregarded in full.

Whilst, the local scheme operation will cease under the new prescribed statutory provisions for pensionable age claimants, the Council can achieve the same end by exercising the provisions in section 13A of the Local Government Finance Act 1992. The section 13A provisions permit a Billing Authority to grant a discount where a person is liable to pay Council Tax in respect of a dwelling and to reduce the amount they have to pay to such extent as it thinks fit. This power includes a provision to reduce the amount payable to nil and can be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

5.12 The Council could consider the application of this section to existing Council Tax Benefit claims for persons of pensionable age where a war widow's pension, war widower's pension or war disablement pension are received and which cannot be disregarded (i.e. ignored) as income under the new national rules for persons of pensionable age.

5.13 The estimated cost that will fall to the General Fund from this proposal is c£15,000, which remains unchanged from the current position.

6.0 Work Incentives

6.1 The Government sees the Council Tax support reforms as part of the wider set of changes to reform the welfare system, particularly supporting work incentives. It envisages that localisation gives local authorities a financial stake in the provision of support for Council Tax and a strong interest in helping to move local taxpayers into work.

6.2 There have been significant challenges for the Council in developing a scheme that complements the Universal Credit's work incentives principle particularly given that the Council Tax support changes come in advance of detail on how Universal Credit will work

6.3 There are a number of ways that the Council could support work incentives, for example "run-ons" where Council Tax support awards continue unchanged after someone returns to work, earned income disregards which effectively reduce the amount of earned income used in the calculation of a working claimant's entitlement and tapers which reduce benefit as earnings increase. All of these incentives are in the existing national Council Tax Benefit scheme and have been carried into the Local Scheme.

6.4 It is proposed that the local scheme to be adopted increases the run-on from four to eight weeks thus creating a greater incentive for people to move into work. The cost to the council will be c£20k. This aspect of the scheme will be reviewed during the year to determine if it has had the desired effect.

7.0 How the scheme will operate

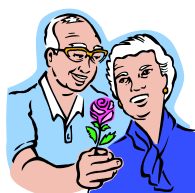
7.1 Firstly, it is important to realise this is a discount scheme rather than a cash budget system. Therefore, there will not be a budget within the Council to monitor and make payments. Reductions will essentially affect the Council Tax Base and reduce it. In future we will need to monitor the number of band D equivalent discounts granted.

7.2 In order that Council Tax does not increase, the Government will pay the old

Council Tax Benefit budget, less 10%, in the form of Revenue Support Grant and Business Rates Baseline Funding, to County, Fire, Police and the District Councils. This will reduce the Council Tax Requirement, which is the amount the Council needs to raise in Council Tax. This and the reduced Council Tax Base should mean Council Tax remains at the same level when local schemes are designed to recoup the 10% shortfall.

7.3 An illustration of what happens now and what will happen from 1 April 2013 is given below:

Present system



Pensioner Couple

Employed Couple

Single Person

Maximum Benefit
Benefit = £1,600
To pay = £0
Tax Base = 1

Partial Benefit
Benefit = £800
To pay = £800
Tax Base = 1

25% Discount
Benefit = £0
To pay = £1,200
Tax Base = 0.75

Band D Council Tax is £1,600

Council Tax Base =	2.75
Council Tax Requirement =	£4,400
Benefit Grant =	£2,400
Council Tax Receipts=	£2,000

In the current system the Council calculates its Tax Base, net of discounts. Its Council Tax requirement is then divided by the Tax Base to produce the amount of Council Tax.

Benefits are paid as a cash grant from the Department for Work and Pensions (DWP) to the Council and Benefit is awarded as a credit on the Council Tax account of those in receipt of Benefit.

The Benefit scheme is set nationally by the DWP. The Single Person Discount is set out in primary legislation.

Future system

Pensioner Couple
100% Discount

Employed Couple
35% Discount

Single Person
25% Discount

To pay = £0

To pay = £1,040

To pay = £1,200

Tax Base = 0.0

Tax Base = 0.65

Tax Base = 0.75

Band D Council Tax is £1,600

Council Tax Base =	1.4
Gross Council Tax Requirement =	£4,400
Less: Additional Revenue Support Grant	-£2,160
Net Council Tax Requirement	£2,240
Council Tax Receipts=	£2,240

- 7.4 The future system will see the Benefit Grant cut by 10% and then paid to all principal authorities as Government Grant to reduce their Council Tax Requirement.
- 7.5 Benefit will no longer be a credit on the account but a discount which will reduce the Tax Base. In order to cope with the 10% reduction either the principal authorities have to find savings to keep the same levels of support, increase Council Tax (with an eye on Referendum criteria), or design the local scheme to recoup the 10% or propose a combination of these options. The example above assumes a local scheme that recoups the 10% and as pensioners are protected, in the example above, the employed couple will have to pay £240 more a year (£4.62 a week).

8.0 Scheme design

Any tax and benefits scheme needs to consider the trade off between simplicity and transparency and fairness and policy objectives. In addition to the overarching financial considerations the parameters of the new scheme will need to have regard to:

- (h) Government requirements;
- (i) Local economic conditions;
- (j) Local policy priorities;
- (k) Demographic changes;
- (l) Compliance with legal duties and risk of legal challenge;
- (m) Software constraints, particularly in the short term; and
- (n) The consequences of behavioural change by individuals.

9.0 Working with neighbouring authorities

- 9.1 The East Sussex Collaboration Project was established in April 2012. This brought together the revenues and benefits managers from all local authorities in East Sussex together with representation from East Sussex County Council. The project team's brief was to develop the principles and establish the policy framework of a new Council Tax Support Scheme and to collaborate to develop an appropriate and workable Council Tax support scheme across East Sussex in readiness to go live in April 2013.
- 9.2 Between the five authorities, two benefit processing computer systems are used. Early on, the project team was advised by both suppliers that there would be significant restrictions on the ability of the systems to deliver

schemes that did not align with Council Tax Benefit. This meant that options for a scheme were limited to that which could be delivered through the limited flexibilities of the existing software.

9.3 The project team carried out, at individual authority level, a series of wide-ranging modelling exercises, based on their current Council Tax Benefit caseload and the current calculation of Council Tax Benefit entitlement. Modelling was carried out on:

- a minimum weekly award,
- a maximum weekly award
- the removal of Second Adult Rebate,
- a limit to the amount of Council Tax liability that support would be awarded against,
- a reduction in the capital limit, and
- a significant change to the amount of non-dependent deductions; a doubling in most instances and an increase from £0 to £5 in some instances.

9.4 Modelling also included the impact of proposed changes to Council Tax discounts and exemptions. From this modelling, a county-wide draft Scheme (referred to as the Consulted Scheme) was developed for consultation which proposed:

- the removal of Second Adult Rebate
- a capital limit of £6,000
- a minimum weekly award of benefit of £5
- a maximum weekly award of benefit of £20, and
- changes to non-dependant deductions.

10.0 Consultation

10.1 The Local Government Finance Act 2012 specifies that before adopting a scheme, the billing authority must in the following order:

- Consult any major precepting authority which has power to issue a precept to it
- Publish a draft scheme in a manner that it sees fit
- Consult with other such persons 'as it considers likely to have in interest in the operation of the scheme

The Department for Local Government and Communities gave further advice in its Statement of Intent:

- When consulting on reduction schemes billing authorities should

ensure all interested parties are able to give their view and influence the design of the reduction scheme. (This includes voluntary organisations and special interest groups.)

- The consultation feedback should help identify where there may be any adverse impacts to any particular group. Billing authorities must also understand whether there are any groups or individuals that are adversely impacted by any changes when making their final decisions on a local scheme.
- The public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.

10.2 The consultation process the Council followed complied with the Government's requirements.

10.3 The consultation took place over a 12 week period starting 13 August 2012 and ending 5 November 2012. A summary of the results, including all comments made by those responding are included as appendices to this report. Appendix A is the summary of the consultation and Appendix B shows the detailed comments from the consultation. This is information Members must consider when taking this decision.

10.4 The consultation survey (web based and hard copies) gave:

- Background information and a brief description of the Council Tax Benefit scheme;
- Current and future central government funding arrangements;
- A statement that pensioners are protected from the changes and that working age claimants are most likely to be affected;
- An introduction and explanation to each question relating specifically to the proposed scheme;
- Respondents the option to make comments on each specific point of the proposed scheme.

10.5 Interested parties were identified at the outset and were made aware of the consultation during the 12 week period. A list of the interested parties can be found at Appendix C. All current working age Council Tax Benefit claimants who were most likely to be affected, approximately 5,700, were advised about the consultation in October 2012.

10.6 A summary of the consultation feedback is contained within appendix A

11.0 Transitional Grant Funding

11.1 In October 2012, the Department for Communities and Local Government announced that £100 million Transitional Grant funding was being made available to authorities whose support schemes limited the financial impact on applicants. This grant funding is to be claimed in writing after 31st January and by 15th February, the funding will be paid in March 2013. It is a one year grant.

11.2 “The Localising Support for Council Tax: Transitional Grant Scheme” document can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/14665/trans_grant_scheme.pdf

11.3 The East Sussex project team carried out further modelling based on those components of the original scheme that met the criteria for the Transitional Grant Funding, specifically the removal of Second Adult Rebate, a reasonable increase to non-dependant deductions and a minimum weekly award of £5. This local scheme is referred to as the Transitional Grant Scheme.

11.4 The proposed changes to capital limits, a significant increase in non dependant deductions and a maximum weekly payment cap in the consultation scheme were omitted as they did not comply with the transitional scheme conditions.

11.5 In addition, further modelling was carried out on the impact of the changes to discounts and exemptions, taking into account new government advice, and how the proposed scheme, together with the estimated number of new homes expected to be completed in 2013/2014, would impact on the tax base.

12.0 Possible Local Council Tax Reduction Schemes

12.1 Whilst there are innumerable variations for a local scheme, there are three options presented for Members to consider. The description of the three schemes follow:

12.2 Option 1 – Consultation Scheme

It shows the consulted scheme features and the estimated number of claimants affected.

Consultation scheme	Nos. affected	Current scheme
Maximum weekly support limit of £20	1,949	No maximum limit
Minimum weekly entitlement £5	550	50 pence minimum entitlement
Doubling of non dependant deductions	749	Statutory rates
Remove second Adult Rebate	28	28
Maximum capital limit £6,000	78 known, but would need to write to c3,500 re their position.	£16,000 limit applies.

* Some claimants may be affected by one or more of the above changes, which is why the figure of 2,417 claimants affected in the table below does not correspond to the above numbers affected.

Consultation Scheme – estimate of financial impact

Loss per week	No. affected
under £1	684
£1.00 to £1.99	62
£2.00 to £2.99	73
£3.00 to £3.99	738
£4.00 to £4.99	104
£5+	756
	2,417

12.3 Option 2 – Transitional Grant Scheme

This scheme enables Councils in East Sussex to benefit from the Transitional Grant and retain some features of the consultation scheme without having to conduct a further consultation. The scheme complies with the Transitional Grant Criteria and ensures no detriment to claimants when compared with the option 1 scheme. The essence of this proposal is that the £20 maximum payment is dropped. The minimum £5 per week qualifying criteria remains as does the proposal to end the second adult rebate. The doubling of non dependant deductions is dropped and replaced with a reasonable increase.

This is the recommended scheme.

A copy of the rules for this scheme can be found at Appendix G.

12.4 Option 3 – The Default scheme

The default scheme, which is the same as the current Council Tax Benefit scheme.

The estimated financial impact of the schemes is shown below:

	Option 1 Consultation Scheme	Option 2 Transitional Grant Scheme	Option 3 National Default Scheme
	£(000s)	£(000s)	£(000s)
Funding gap	1,046	1,046	1,046
New Discount and Exemption freedoms	(735)	(735)	(735)
Local Support Scheme	(526)	(67)	0
Transitional grant		(234)	(234)
Shortfall	(215)	10	77

12.5 The recommended scheme, which enables the Council to take advantage of the Transitional Funding has the following features:

- Removal of Second Adult Rebate
- A minimum weekly qualifying award of £5.00
- A reasonable increase in non-dependant deductions.

13.0 Timetable

13.1 The Welfare Reform Act 2012 states that Council Tax Benefit will be stopped from April 2013. Provisions for Council Tax Support are included in the Local Government Finance Act 2012. The Finance Act states that the Council must have a scheme in place by 31 January 2013, the default being the current scheme continuing in 2013/14 with the Council absorbing any funding shortfall.

13.2 The Revenues Service sends Council Tax bills to 43,000 properties in mid-March and the Benefits Service will have to send notification letters to c11,000 claimants telling them of the amount of Housing Benefit and Council Tax discount that they are entitled to. Lead in time for this work is very tight and includes the calculation of Council Tax Benefit/Support.

13.3 A high level timetable for decision making is:

Date	Action
16 January 2013	Full Council decides Council Tax Reduction scheme
February 2013	Full Council sets Council Tax
March 2013	Annual Billing

14.0 Council Tax Discounts and Exemptions

14.1 The Local Government Finance Act makes provision for changes to certain Council Tax exemptions and discounts. In summary these are:

- (o) Changes to the range of discount available for second homes;
- (p) Class A exemption for vacant properties undergoing structural or major repair to make it habitable;
- (q) Class C exemption for vacant unfurnished dwellings up to a maximum of 6 months;
- (r) Class L exemption for a mortgagee in possession of a property; and
- (s) Long-Term Empty Homes premium.

14.2 Each of these exemptions and discounts has the effect of reducing the Council Tax Base and represents a loss of revenue to the public services. Class A and Class C Exemptions are abolished from 1 April 2013 and can be replaced with local discounts.

15.0 Second Homes Discount

15.1 Currently, the Council, as Billing Authority, has the discretion to set its Second Homes Discount in a range from 10% to 50%. The Council decided that it would set the discount at 10% to reflect the pressures within Eastbourne on housing supply and to ensure that revenue was maximised to support local public services.

16.0 Exemptions

Class A (Uninhabitable or under Repair)

Class A exemption applies to a vacant dwelling that needs structural or major repair to make it habitable. The maximum period of exemption is 12 months after which the full Council Tax becomes payable. If the work takes less than 12 months, but the property remains empty, then it can remain exempt up to a maximum of 6 months, providing the total exemption period does not exceed 12 months.

The Council has the option to vary only the discount percentage but not the time period. As Council Tax is made up of property element (50%) and a personal element (50%), and a property undergoing repair still consumes public services such as roads, police and fire, then a 50% discount is considered the most appropriate discount in this case.

There are currently 85 properties which are undergoing structural repair within the Borough. Estimated additional revenue from decreasing the discount to 50% is £64,000.

Class C Empty properties (up to six months)

Currently, properties left empty and unfurnished are entitled to six months Council Tax exemption. There are a number of protections for properties left empty which will retain statutory exemptions and therefore it is felt appropriate to reduce this exemption in order to encourage properties into use. The Council has the discretion to vary both the discount percentage and the time period.

In order to avoid administrative difficulties in raising bills for small amounts, it is felt to be most appropriate to allow a period of one month under which a 100% discount will apply to empty and unfurnished properties. This is in line with the rules governing business rates and covers an appropriate period for a change of tenant. There are 712 properties in receipt of Class C exemption within the Borough. Estimated additional revenue from granting a discount of one month is c£439,000.

Long term Empty Homes Premium

The Council will have the ability to charge a premium for properties left empty and unfurnished for longer than 2 years. This could prove to be a useful way of providing additional incentives to bring properties back into use.

There are also a number of exemptions from the premium which have been set

out by the Government. These are:

- (a) A dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service; and
- (b) An annex deemed unoccupied because it is being treated by the occupier of the main dwelling, as part of that main dwelling.

The Government intends to issue guidance that a property genuinely on the market for sale or to let should be exempt from the premium.

There are, however, circumstances where charging a premium may be appropriate, to encourage a property back into use. In these cases it has been recommended for consideration that the premium be set at 50%. There are currently 524 properties in the Borough that have been empty for longer than two years. Estimated additional potential revenue from setting a premium of 50% against all 524 properties is c£340,000.

Consultation on the proposed change to discounts and exemptions took place at the same time as the consultation on a local scheme of support. The results of the consultation, as well as individual responses can be found at Appendices E and F.

17.0 Resource Implications

17.1 Financial

Government provided a transition support grant of £84,000 in 2012/2013 to meet the set up costs of the new Council Tax Support Scheme, including ICT change costs. A further £75,000 has been announced for 2013/2014.

The option to maximise income from discounts and exemptions will partly offset the Council Tax Support shortfall. These have the potential to significantly narrow the funding gap and therefore any potential savings that have to be made through Scheme changes. Decisions on the new scheme and its financial implications must be made in advance of formally setting the 2013/14 Council Tax Base and the 2013/14 budget.

The Funding gap is estimated to be £1,046,000.

The changes to discounts and exemptions are estimated (gross) at £1,023k. After applying a collectability figure this reduces to £735,000. The Transitional Grant Scheme contributes a further £234,401 towards the funding gap and the recommended scheme contributes £67,000.

Council Tax Benefit relates to support for the Council Tax bill as a whole which includes precepts from East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority as well as the Council's element.

A consultation on the funding was published on 18 May. The funding will be cash limited and not inflation proofed in future years. The stated principles for the scheme and the localism agenda in general, place control with the local

authority to minimise risk and maximise opportunity.

There may be future staffing implications for the structure of the Benefits and Local Taxation teams. It is too early to gauge the changes to processes and structures that will follow but this will be kept under review.

The Council has receives funding for administering the Housing Benefit and Council Tax Benefits scheme from the Department for Work and Pensions (DWP). Post 2013/14 it is anticipated that funding for the administration of the Council Tax Reduction scheme will come from the Department for Local Communities. In 2013/14 the funding for administering the Housing Benefit scheme and the Council Tax Reduction scheme is coming from the DWP.

The Council has designed a new Council Tax Support Scheme that achieves a balance between delivering the expenditure reductions required and managing any financial consequences on other budgets for this Council, for example homelessness, and for other authorities in East Sussex, the Major Preceptors in particular.

It has also considered the impact on collection rates for Council Tax. The Council has a good track record in efficient Council Tax collection and takes a firm approach to ensuring those who can pay do. However there may be an increase in the number of those households who find it difficult to pay because of the cumulative impact of this, other welfare reforms and other changes to household income and costs. The proposed scheme includes a slight adjustment to collection rates that take account of the risks arising from structural changes to existing stable systems. The position will be kept under close review.

The provision of high quality financial advice and support to claimants both by the Council and by advice agencies will be essential to ensure that the effect of the new scheme does not become more problematic. Council Tax support is a consideration in the work being carried out by the East Sussex Welfare Reform Project.

17.2 Staffing

There may be future staffing implications for the structure of the Benefits and Local Taxation teams. It is too early to gauge the changes to processes and structures that will follow but this will be kept under review.

18.0 Other Implications

18.1 *Risks*

There are a large number of risks associated with this policy change summarised below:

- (c) The grant distributed to reduce the Council Tax Requirement is a fixed sum and will reduce in value over time;
- (d) Collection performance and a consequent reduction in the overall collection rate may reduce the Tax Base further;
- (e) Increases in take up will have a direct impact on finances -

nationally it is estimated that only 60% of eligible pensioners claim Council Tax Benefit;

- (f) Distribution of the £30 million national set up cost grant announced in the budget may not meet costs;
- (g) Overall effects on Collection Fund with partners and tensions over risk sharing and the need to make savings through the scheme;
- (h) Cost and accommodation of additional administration required (scheme dependant),
- (i) An increase in customer contact following the introduction of a new scheme of support:
- (j) Resources required for very close monitoring in year of the Scheme and potential unintended consequences of Scheme design;
- (k) Appeals (to the Valuation Office) may rise significantly alongside claimant confusion when Housing Benefit appeals go to the Tribunal Service;
- (l) Software systems will not be changed quickly meaning we have to design a Scheme within the parameters of what the computer systems will allow;
- (m) Legal challenge;
- (n) That Council decide changes to discount and exemptions that have not already been proposed. This would have the effect of changing the tax base.

The proposed scheme seeks to mitigate these as far as possible.

18.2 ***Equalities***

An Equality & Fairness Analysis has been carried out for:

- a) The government's default scheme
- b) The Consulted East Sussex Scheme
- c) The Transitional East Sussex Scheme

Copies of the analyses are at Appendix D.

Council need to consider the findings of the Equality and Fairness Analyses in conjunction with the Public Sector Equality duties in deciding on the scheme to be adopted.

19.0 **Recommendation**

- 19.1 For the reasons detailed in this report, it is recommended that The Transitional Scheme is adopted as the Local Council Tax Reduction Scheme for Eastbourne Borough Council as this limits the impact on vulnerable households, takes work incentives into account and reflect the outcome of the consultation exercise and enables the Council to make use of available government funding. In addition it is recommended that the Council implement the level of discounts recommended to replace the current Council Tax Discounts and Exemptions and that a 50% premium is added to long-term empty properties.

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Appendices:

Appendix A – Council Tax Support Consultation Results
Appendix B – Council Tax Support Consultation – Detailed responses
Appendix C – List of interested parties
Appendix D – Equality & Fairness Analyses
Appendix E – Discounts and Exemptions consultation
Appendix F – Discount and Exemptions Consultation– Detailed responses
Appendix G – Scheme rules

The appendices are available to view on the Council’s website. Please follow this link <http://www.eastbourne.gov.uk/council/meetings/council/> and go to the listing for the Council meeting on 16 January 2013.

Background Papers:

The Background Papers used in compiling this report were as follows:

- Localising support on council tax – administrative matters
- Localising support for council tax Default and Prescribed Requirements Schemes – Publication note
- Localising support for council tax A -Statement of Intent on information sharing and powers to tackle fraud

To inspect or obtain copies of background papers please refer to the contact officer listed above.