



**Council Tax Benefit
is no more**

**Have
your say**

Proposed Local Council Tax Support Scheme Consultation

Background Information and Guidance



Consultation Arrangements

The purpose of this consultation is to allow Kettering Borough Council to develop a Local Council Tax Support Scheme in line with the legislation coming into force in April 2013. Customers input to the consultation will be fed back into the decision process as detailed below.

Consideration of options and their financial and social impact began in early 2012 with the broad strategic choices in relation to a future scheme for Council Tax Support (and an associated timeline) being presented to an Executive Committee on the 18th July 2012.

A further Executive Committee meeting was held on the 13th of August 2012 where more detailed options were presented and the decision made to commence consultation looking at options around amendments to empty property discounts to generate income and amendments to the existing scheme to generate savings so that the two can be used in tandem to develop the new scheme.

Formal consultation will commence on the 5th September 2012 and end on the 31st October 2012. Consultation will take place with all major preceptors, voluntary groups, stakeholders and customers. This will include a series of public events and forums details of which can be found at www.kettering.gov.uk/LCTS

Consultation documents and the opportunity to respond will be available on the web and all documents will be available in hard copy from any of our offices or upon request. Responses to the consultation are welcome from both organisations and individuals.

Following the closure of the consultation on the 31st October 2012 all responses received will be considered and will help inform a report to an Executive Committee in November 2012. A final decision for a Local Council Tax Support scheme will be made at Full Council in January 2013.

Background for the Consultation

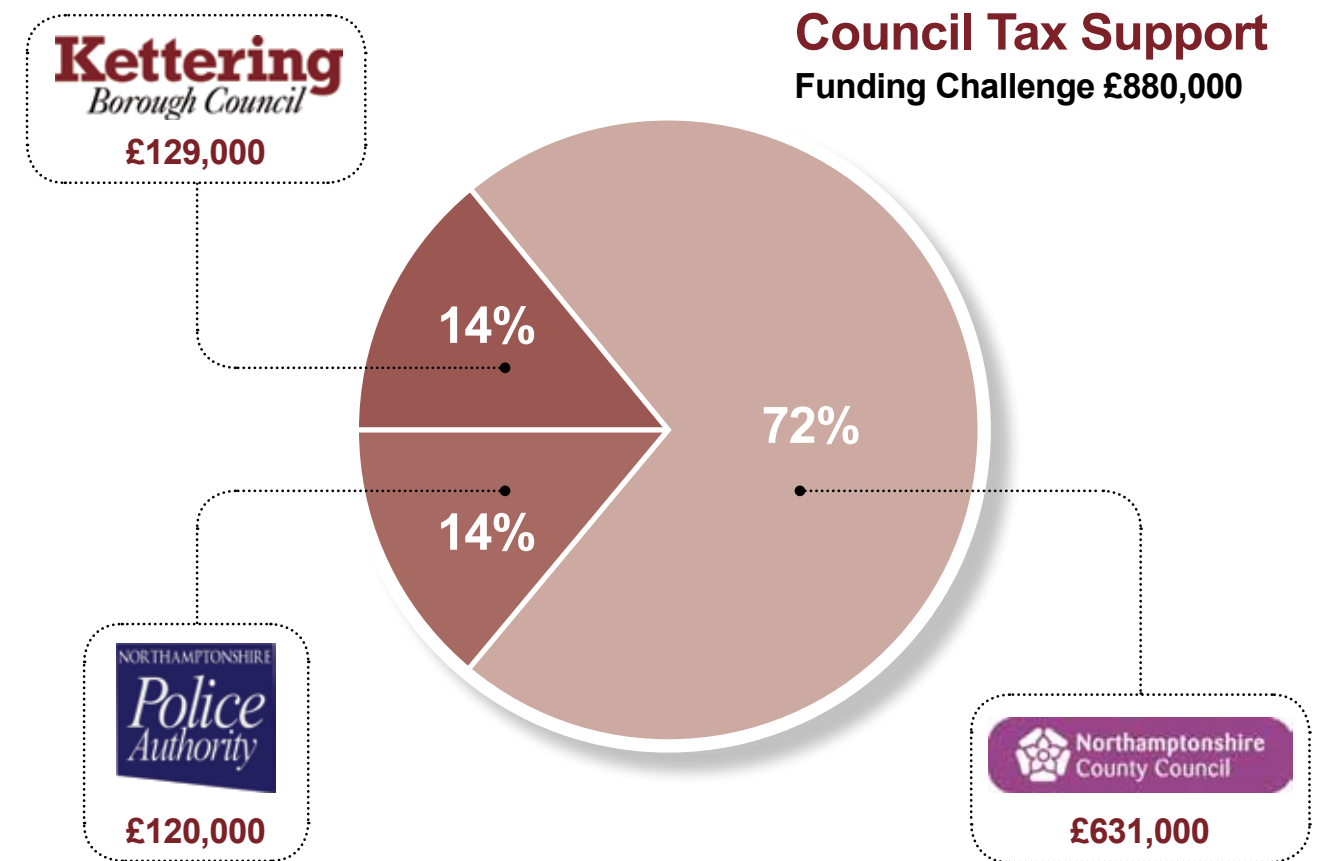
Some residents of working age on low incomes currently receive Council Tax Benefit to help them pay their Council Tax bill. This could be people who work part time, are in low paid jobs or who have retired early and are living on small private pensions. It also includes people living on state benefits because they do not have a job, are unable to work because of health problems or disabilities or because they have responsibilities caring for family members.

From April 2013, the Government has announced that Council Tax Benefit (CTB) in its current form will no longer exist. Instead Councils will need to operate a Local Council Tax Support Scheme (CTS). The amount of financial grant the Council will receive from the Government to fund such a scheme will be approximately 15% less than it has historically cost. For Kettering Borough Council this is equivalent to a grant reduction of approximately £880,000 a year, the burden of this reduction is

spread across Kettering Borough Council, Northamptonshire County Council and Northamptonshire police (see pie chart below).

This means that the Council needs to operate a scheme from April 2013 that keeps within the reduced budget that has been made available by the Government. The Government has also stated that all current and future pensioner Council Tax Benefit recipients must be fully protected from the changes and will be subject to a different, national scheme. As a result the reductions to benefit will only fall on working age people.

When considering the new scheme the Council must decide which people of working age should get some form of help to pay their Council Tax bills and how much this should be. The new system of CTS must be approved by 31st January 2013 and be implemented by 1st April 2013 in time for the new Council Tax financial year.



The new scheme is dependent on:

- The outcome of a consultation on this scheme
- The passing of the Local Government Finance Bill and subsequent secondary legislation
- The bringing into force of the Welfare Reform Act 2012 and any secondary legislation
- The final amount of grant given by Government being the same as the initial estimates.

In these proposals 'the new scheme' means the proposed Council Tax Support Scheme (CTS) and 'the current scheme' means the existing Council Tax Benefit scheme (CTB).

Current Scheme - Council Tax Benefit (CTB)

Some people receive CTB; it helps those people on a low income or no income to pay their Council Tax. It is paid irrespective of whether the person is of working age, pension age or on state benefits or low earnings.

At present the Government gives Kettering Borough Council all of the money needed to fund CTB. The Government sets the rules regarding who can claim CTB. If somebody meets the criteria they will receive a contribution towards their Council Tax bill. This contribution is paid directly to their Council Tax account – no money is paid directly to the resident. In Kettering this year (2012-2013) we expect to spend approximately £6 million on CTB. Over the past five years, CTB expenditure has risen each year because of an increase in the number of people claiming.

New Scheme – Council Tax Support (CTS)

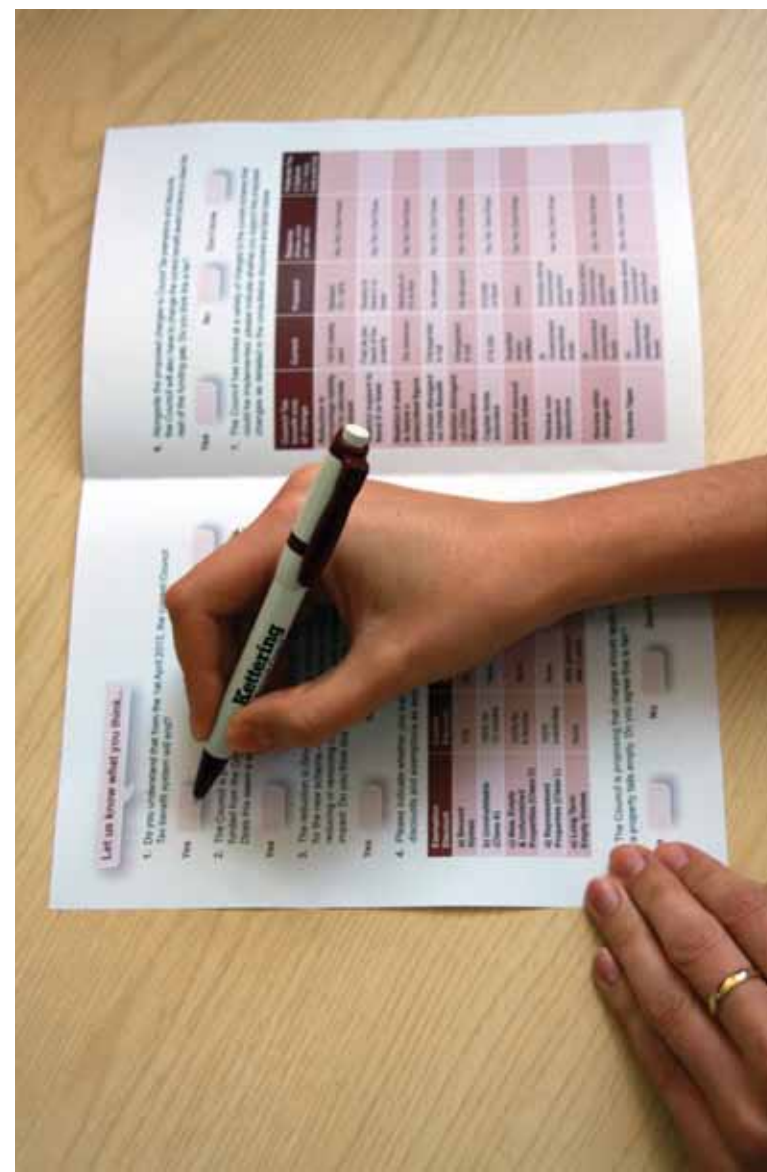
From next April, CTB in its current format will be abolished and instead all Councils must develop their own CTS. The Government will be giving us less money to pay for this new scheme. The reductions for Kettering Borough Council will be in the region of £880,000 a year, which equates to a cut of around 15% on what it will actually cost.

The requirements for the scheme are set out in the Local Government Finance Bill, which is currently going through the Parliamentary process. If this

planned legislation is passed, the Council will be expected to have a local scheme in place by 31st January 2013.

Although the scheme will be localised the Government has outlined some main principles which will apply:

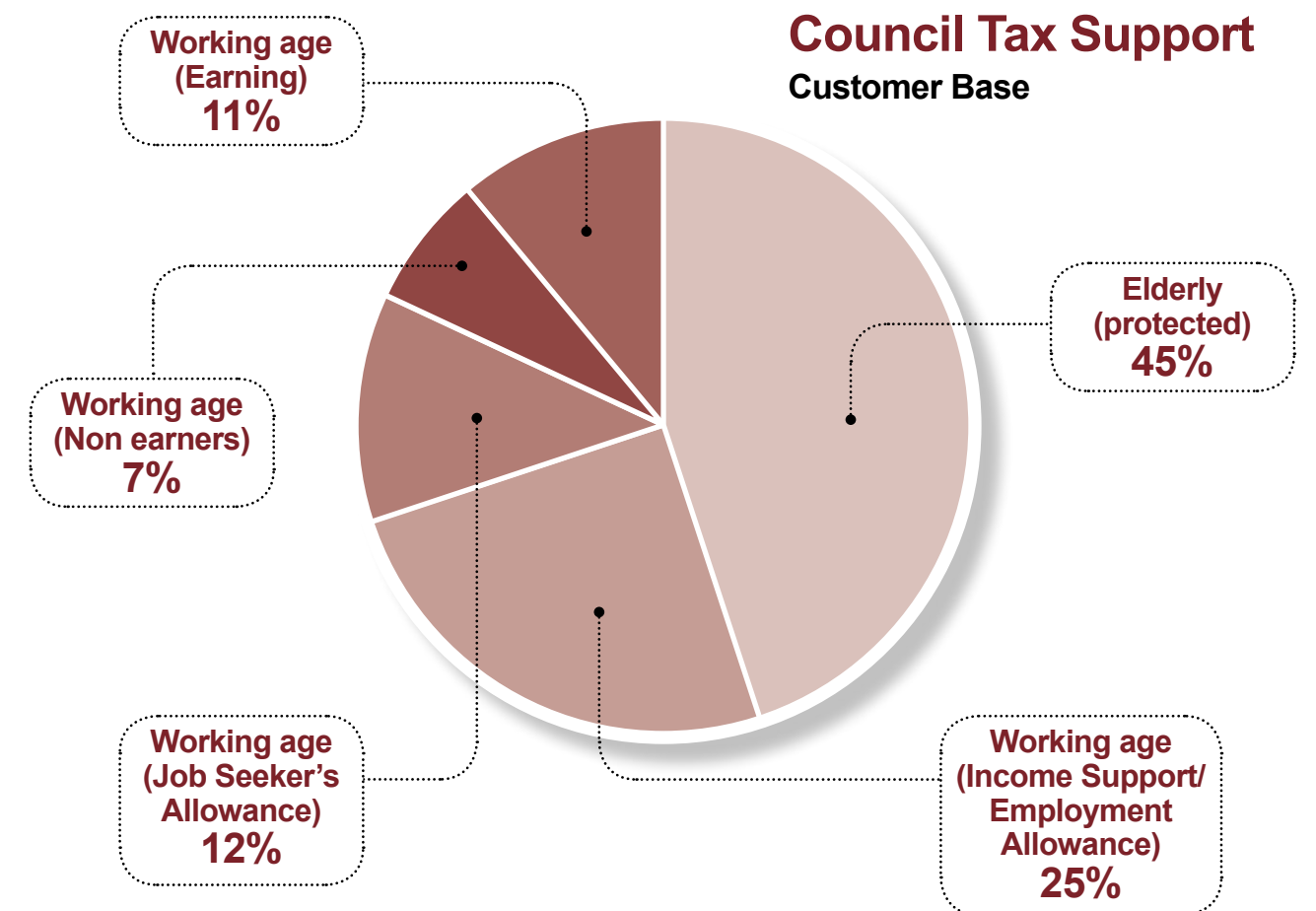
- **There will be no change to the amount of help pensioners currently receive.** People who have reached the age for state pension credit will be assessed under a national scheme which will be decided by the Government. The national scheme is likely to be very similar to the current one and **these residents will not have their benefit reduced providing their circumstances stay the same**
- The impact on the most vulnerable should be considered when Councils design their new schemes
- The new scheme should encourage people to work and in particular should not act as a disincentive to working.



The new scheme will be designed to meet the needs of the local area and Local Authorities are allowed to decide the rules for their own CTS. As a result there could be a risk that Councils have very different schemes in place and so people could have varying experiences depending on where they live. We are working closely with our neighbouring councils in Northamptonshire to try and ensure, where possible, we have similar schemes.

Due to the tight timescales and the Council's commitment to a full and detailed consultation process, we are consulting before the legislation has been passed. This is unavoidable due to the timetable the Government are following where the detailed legislation will not be available until later in the year. The Government has passed regulation to allow this approach to be followed.

We are seeking your views based on the current draft legislation, although there may be some changes which we are unaware of at this stage. If the legislation changes we will keep you informed and will still take account of your views on any future scheme. Approximately £880,000 savings need to be made for the year from April 2013 to March 2014 in order to run the new CTS. Due to the level of savings we need to make it is proposed that everybody under pension age who currently receives CTB may have to pay something towards their Council Tax bill – even if they have previously received full benefit and did not pay anything previously (see pie chart below).





Kettering Borough Council's preferred scheme for Consultation

The Council's executive committee considered the issue at a meeting on 13th August 2012, the minutes of the meeting are detailed at www.kettering.gov.uk/meetings/meeting/1010/executive_committee

Having considered and debated the issues, it resolved that the preferred scheme that it would consult upon would be:-

a. Council Tax Discount and Exemptions

These would be reduced/removed as far as possible. This would create additional income that could help reduce the funding gap created by the reduction in the Government's funding for the scheme. This will have an impact on residents including those who have second homes or empty houses.

Members of the Executive Committee recognised that by reducing/removing discounts and exemptions, it would help reduce the funding gap **but** it would not in itself create enough money to close the funding gap completely.

b. Scheme Changes

To close the funding gap and also to create a buffer that could potentially deal with future changes in caseload numbers, changes are also required to be made to how the scheme of Council Tax Support will operate from April 2013. **This will have a direct impact upon claimants of working age.**

Preferred Scheme Details

a. Council Tax Discounts and Exemptions

From 1st April 2013 Councils are being given the discretion to change the current levels of discount and exemptions awarded to certain types of property for Council Tax purposes. Not all discounts and exemptions are included in these changes and the most common type of discount, single person discount, is currently unaffected.

This option would mean removing discounts and exemptions. The table below provides further details of how this is proposed to operate.

b. Specific Scheme Changes

Even with the proposed changes to discounts and empties the local scheme cannot be introduced without working age benefit customers paying more Council Tax than they currently do (as we cannot reduce payments to pensioners). Our approach has been to work with this principle whilst attempting to make the proposed reduction in a fair manner across all aspects of our customer base. We also have to consider unforeseen circumstances that increase the level of awards during the year and build this contingency into our scheme.

	Exemption/ Discount	Council Tax Paid under Current Scheme	Council Tax To be Paid under Proposed Scheme
a	Second Homes A furnished property where either the owner has a main home elsewhere or it has been left empty	90%	Normal (100%)
b	Uninhabitable (Class A) Empty properties requiring or undergoing major repair work	None for a year. Then normal (100%)	Normal (100%)
c	New, Empty & Unfurnished Properties (Class C) Any unfurnished and unoccupied property	None for six months. Then normal (100%)	Normal (100%)
d	Reposessed Properties (Class L) Properties reposessed by banks or building societies	None indefinitely	Normal (100%)
e	Long Term Empty Homes Any unoccupied and unfurnished property that have been empty for two years	Normal (100%)	After 2 years of being empty - 150%



Proposed Scheme Changes

Pension age customers ¹

- Will move to the new national scheme and will receive the same level of support as they currently do

Working age customers

- The scheme will be based on existing rules but the final award will be reduced ². This will be achieved by restricting awards by implementing one or some of the options below

- Reducing support for all claimants (except pensioners) by only funding a percentage of Council Tax liability
- Restrict support to the level for a Band D property or lower
- Restrict an award to nil if the calculated award is below a prescribed figure

- Consider whether incomes such as Child Benefit and Maintenance should still be disregarded in full when calculating an award
- Review the maximum amount of capital that a claimant may hold before becoming ineligible for council tax support
- Review Second Adult Rebate
- Review Non Dependant Deductions
- Adjust means testing such as changing disregards and tapers.

The table opposite is reproduced from the Executive Committee report of 13 August 2012. It provides more details about the possible range of options that are being considered on each of the various options.

¹ A pensioner is defined as a person who has attained the qualifying age for State Pension Credit

² Existing Council Tax Benefit rules as set out in the Social Security Contributions and Benefits Act 1992, the Social Security Administration Act 1992, the Council Tax Benefit Regulations 2006 and the Housing Benefit and Council Tax Benefit (Decisions and Appeals) Regulations 2001. This means features of the current scheme such as provision for claims to be backdated, earnings and income disregards, non-dependant deductions, appeal rights, start dates for claims and the main calculation itself will not be changed.

Considerations

Detailed below is a cost analysis of various options that could be considered to reduce the cost of the scheme:

	Change	Saving	Notes	Affects
a	Reduction in percentage liability used to calculate entitlement	5% reduction = £179,000 10% reduction = £357,000 15% reduction = £534,000 20% reduction = £711,000 25% reduction = £886,000	Can be easily implemented on the current system	All
b	Restrict support to Band D or lower	Band D = £25,000 Band C = £51,000 Band B = £125,000 Band A = £345,000	Higher bands would still receive support but at a maximum level of the band restriction	Residents of higher banded properties
c	Restrict if award is below a prescribed figure	Minimum £2 = £2,000 Minimum £4 = £13,000 Minimum £5 = £25,000	Restriction is a weekly amount	Primarily those in employment & standard claims
d	Abolish Disregard on Child Benefit	No disregard = £184,000	Currently disregarded in full	Affects families with children only and mainly customers in employment and standard claims
d	Abolish disregard on Child Maintenance	No Disregard = £93,000	Currently disregarded in full	Affects families with children only and mainly customers in employment and standard claims
e	Capital limits amended	Maximum 10K = £9,000 Maximum 6K = £29,000	Current limit 16K,	Customers with savings – very small amount
f	Abolish second adult rebate	Abolish = £18,000	Award that attracts low take up	Affects very small customer base who are treated as being able to afford their Council Tax
g	Review non dependant deductions	Double deduction = £33,000	Deductions have already been substantially increased	Affects small base of customers across all customer types
h	Review Other disregards	Half disregard = £22,000	Assumes disregards halved on single and couple households with and without children	Affects customers in employment only – decreases work incentives
h	Review taper	25% = £67,000 30% = £117,000	Current taper 20%	Primarily affects those in employment and reduces work incentives



Proposal of what customers will need to do

- Customers receiving Council Tax Benefit on 31st March 2013 will be transferred onto the new scheme from 1st April 2013 without the need for a new application and will be assessed in line with the new scheme
- An application will be required for all new claims from the 1st April 2013. An appropriate means of application will be decided by the authority and may be revised as required
- Consideration will be given as to how to calculate income from benefits established under the Welfare Reform Act 2012, such as Universal Credit and personal independence payments, when regulations have been issued setting out the method of calculation for these benefits
- If a claimant disagrees with a decision about their Council Tax Support any initial request for the decision to be looked at again will be reconsidered by the local authority and if they still disagree with the outcome they may then appeal

Additional information

- A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award

- Any figures set out in the scheme may be updated, to take effect on 1st April each year following the commencement of the scheme, by the consumer price index, retail price index rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for Housing Benefit and Universal Credit or as decided by the authority
- Apart from where legally required, advice of any award granted, removed or revised will be by an adjustment to the Council Tax bill and the bill itself will be the formal notification. The authority may reserve the right to include additional notifications
- Consideration will be given as to how further notifications of an award or non-award of Council Tax support will be made under the new scheme
- Any overpayment will be recovered by making an adjustment to the Council Tax bill.

Supporting documents

Supporting documents can be found at www.kettering.gov.uk/lcts

If you require any of the supporting documents in hard copy please contact us on **01536 410 333** or lcts@kettering.gov.uk

Specific questions to ask in consultation

1. Do you understand that from the 1st April 2013, the current Council Tax benefit system will end?

Yes No

2. The Council is proposing that the replacement system should be funded from the Government grant that is made available. Does this seem a sensible approach?

Yes No Don't know

3. The reduction in Government funding will leave a significant funding gap for the new scheme – the Council propose to initially close the gap through reducing or removing Council Tax discounts and exemptions to minimise the impact. Do you think this is a fair approach?

Yes No Don't know

4. Please indicate whether you support the proposed changes to Council Tax discounts and exemptions as detailed below.

Exemption Discount	Current Discount	Proposed Discount	Response (Please circle your option)
a. Second Homes	10%	None	Yes / No / Don't Know
b. Uninhabitable (Class A)	100% for 12 months	None	Yes / No / Don't Know
c. New, Empty & Unfurnished Properties (Class C)	100% for 6 Months	None	Yes / No / Don't Know
d. Repossessed Properties (Class L)	100% indefinitely	None	Yes / No / Don't Know
e. Long Term Empty Homes	None	50% premium after 2 years	Yes / No / Don't Know

5. The Council is proposing that charges should apply immediately when a property falls empty. Do you agree this is fair?

Yes No Don't know

6. Alongside the proposed changes to Council Tax exemptions and discounts, the Council will also have to change the current benefit award scheme to close the rest of the funding gap. Do you think this is fair?

Yes No Don't know

7. The Council has looked at a variety of changes to the current scheme that could be implemented. Please indicate whether you support the proposed changes as detailed in the consultation document and listed below.

Council Tax benefit area of change	Current	Proposed	Response (Please circle your option)	Preferred Options (1-10, 1 being most preferred)
Reduction in percentage liability used to calculate entitlement	100% liability used	Between 75 – 95%	Yes / No / Don't Know	
Restrict support to Band D or lower	Paid as per band of the property	Restrict to Band D or lower	Yes / No / Don't Know	
Restrict if award is below a prescribed figure	No minimum	Minimum of £5 or less	Yes / No / Don't Know	
Abolish disregard on Child Benefit	Disregarded in full	No disregard	Yes / No / Don't Know	
Abolish disregard on Child Maintenance	Disregarded in full	No disregard	Yes / No / Don't Know	
Capital limits amended	£16,000	£10,000 or lower	Yes / No / Don't Know	
Abolish second adult rebate	Awarded where entitled	Abolish	Yes / No / Don't Know	
Review non dependant deductions	At Government prescribed levels	Increase above Government prescribed levels	Yes / No / Don't Know	
Review other disregards	At Government prescribed levels	Reduce below Government prescribed levels	Yes / No / Don't Know	
Review Taper	At Government prescribed levels	Increase above Government prescribed levels	Yes / No / Don't Know	

8. The Council proposes that the funding gap will be closed using a mixture of the two options, changes to Council Tax discounts and exemptions and scheme changes. Do you agree that a mix of these two is the fairest approach?

Yes No Don't know

9. Have you any general comments you would like to make about the scheme?

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Please return your completed questionnaire by 31st October 2012, to:
**LCTS Officer, Kettering Borough Council, Municipal Offices,
 Bowling Green Road, Kettering, NN15 7QX**

