



## Preferred Option for Local Council Tax Support

The original eight options are appended to 11 July 2012 Cabinet report.

### Preferred Option 8. Impacts working age claimants and people with second homes

Option 8	
<p>Restrict the maximum council tax support award to the top of band D, £28.80. Increase non-dependant deductions from: £00.0 to £00.0* £3.30 to £6.00 £6.55 to £9.00 £8.25 to £15.00 £9.90 to £20.00 Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013 as follows: Remove the second homes discount completely (currently 10%). Amending the Class A exemption (Empty and undergoing major structural repairs) to a 25% discount for a maximum of 12 months. Removing the Class C exemption (unoccupied and unfurnished) completely. Taking the savings from the abolition of Class L (mortgagees in possession).</p>	
<b>Reduction:</b> £1.8 mil	<b>Contingency:</b> NIL
<b>Risks:</b> <ul style="list-style-type: none"><li>• Non-dependants may disappear over time to avoid a reduction in support.</li><li>• No incentive for taxpayers to tell us about these properties that would be second homes so savings reduced. On Class C exemptions alone, this could be as much as £951k lost if taxpayers advise empty properties are occupied by a single person.</li><li>• Fraud implications would require consideration.</li><li>• Certain exemptions could be abolished and additional income lost.</li></ul>	

- There is continued debate around Housing Associations receiving a Class C exemption that may be able to transfer it to Class B.
- No contingency for increase in CTS claims.
- The proposed council tax reforms are contained in the Local Government Finance Bill and are potentially subject to amendment.
- There may be additional work involved in obtaining dates of changes in liability. For example, a change in liability during an exempt period does not require an exact date as there is no charge. If, however, no discount is awarded the exact date would need to be established.
- With no reduction being given to empty properties there is no incentive for this to be reported (if the liable person remains unchanged). This will lead to less reliable management information on empty properties (this will particularly affect the Empty Properties Team).

\*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of an out-of-work benefit, the deduction remains at zero in line with the current scheme.

Option 8 uses a combination of restricting the maximum council tax support to a weekly band D charge of £28.80, non-dependant deductions and reductions in property exemptions.

It should be noted that 2012/13 rates of non-dependant deductions have been used to calculate the savings because the 2013/14 will not be available from the DWP until December 2012.

Potentially 582 claimants residing in properties banded E, F, G and H could be affected by restricting benefit to Band D Claimants. Further analysis will continue to determine more exactly the numbers affected.

This option comprising elements of benefits and council tax to make the savings could affect 8,858 households of which 1,277 will be in receipt of benefit and 7,581 will be Council Tax Payers with second homes. It is likely only 100 or so claimants will lose Council Tax Support entirely. These are forecasted figures, which will be monitored up until the implementation of the new scheme.

Proposals in the Local Government Finance Bill are optimized above to make the majority of savings to offset the Government's 10% reduction in expenditure. The Local Government Finance Bill continues to make its way through the Houses of Parliament.

Preferred Option Statistical Data

<b>Description</b>	<b>Properties that may be affected by band</b>	<b>No. cases All CTB lost</b>	<b>Annual LA Saving/Custom er Loss £</b>	<b>Overall % Saving</b>
a. Restriction to Actual Band D Liability 2012/13 £28.80	Working Age: Band A - 0 Band B - 0 Band C - 0 Band D - 0 Band E - 454 Band F - 87 Band G - 20 Band H - 1	None	Total £89k  A £0.00 B £0.00 C £0.00 D £0.00 E £45k F £32k G £11k H £1k	1%
b. Increase Non dependant deductions: £3.30 to £6.00 £6.55 to £9.00 £8.25 to £15.00 £9.90 to £20.00	715 cases affected	94	£185k	1%
<b>Exemption Category</b>	<b>Current scheme</b>	<b>LGF Bill Proposal</b>	<b>Potential Additional Income £</b>	<b>No. of properties affected</b>
c. Second homes	Having apply a Discretionary discount of 10%.	Range of discretion between 0% and 50%. Having propose 0%.	47K	739
d. Exemption Class A – empty and undergoing major repairs/structural alterations	100% up to a maximum of 12 months	Discretionary discount between 0% and 100%. Having propose 0% over 12 months.	240k	468
e. Exemption Class C – unoccupied and unfurnished	100% up to a maximum of 6 months	Discretionary discount between 0% and 100%. Having propose 0%.	1.303k	6289
f. Mortgagees in possession Class L	100% no time limit	Abolition. Having propose 0%	41k	85
<b>Total</b>			<b>1.905k</b>	<b>7581</b>

The Preferred Option element a. restricts Council Tax Support to the top of property band D for all working age applicants. This figure is £28.80 based on 2012/13 council tax property band D. It can be seen from the above table that 582 claimants may receive more than £28.80 in council tax benefit each week. This information has been derived from August 2012 data within Capita. However, the base calculation will need to be revised using 2013/14 figures from the DWP in December 2012 to provide more accurate forecasts.

Element b. of the Preferred Option above has been calculated using the CLG Calculator. This means the applicable amounts and non-dependants deductions relate to 2011/12 figures. In December 2012, the DWP will advise local authorities of the 2013/14 rates which will then be used to calculate the impact and savings more accurately.

With regard to point f. of the table above, the Government have indicated that they will have detailed discussion with mortgage lenders about these proposals, which may result in a delay to this rule being implemented. The savings therefore may not be available in 2013.

In addition, to estimate the savings from the Council Tax Technical Reform, which is currently, passing through the House of Parliament as part of the Local Government Finance Bill, 2011/12 full year data sets have been used.