Cheltenham Borough Council
Cabinet – 17th September 2013
Local Council Tax Support Scheme (LCTS)

<table>
<thead>
<tr>
<th>Accountable member</th>
<th>Councillor John Rawson, Cabinet Member Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountable officer</td>
<td>Mark Sheldon, Director of Resources</td>
</tr>
<tr>
<td>Ward(s) affected</td>
<td>All</td>
</tr>
<tr>
<td>Key Decision</td>
<td>Yes</td>
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**Executive summary**
In December 2012 cabinet approved a local council tax support scheme for 2013/14 and resolved that work should commence on developing a long term scheme from April 2014 which reduces council tax support costs, protects vulnerable people and keeps work incentives.

Delays in welfare reforms and the uncertainty of long term funding of the LCTSC scheme after April 2015 would put the local authority at risk if we consulted and approved a scheme that continued after March 2015.

Following a joint working group meeting of section 151 officers and finance officers from the county on 8th July 2013, it was agreed to recommend to all councils in Gloucestershire to keep the LCTS scheme for 2014/15 unchanged and to carry out a short public consultation on this basis.

Approval is being sought to keep the LCTS scheme unchanged for 2014/15 other than the annual uprating of premiums, allowances and non dependant deductions and to give delegated powers to the section 151 officer to agree the content of any future public consultation.

**Recommendations**

a) To keep the Local Council Tax Support scheme unchanged for 2014/15, other than the annual uprating of premiums, allowances and non dependant deductions.

b) To approve a public consultation of eight weeks on this basis.

c) To delegate to the Section 151 officer, in consultation with the Cabinet Member Finance, the power to agree the content of any future public consultation on any Local Council Tax support scheme.
| Financial implications | The funding for the LCTS scheme was reduced by approximately 9% in 2013/14 (c£77k) and changes were made to council tax empty property exemptions and second home discount to help offset the reduction in funding.  
In 2013/14 Cheltenham qualified for transitional funding, but this will not be repeated in 2014/15.  
The level of funding for the local council tax support scheme for 2014/15 is due to remain the same as 2013/14, but actual amounts have yet to be confirmed.  
The Government are reviewing the long term funding arrangements for LCTS and therefore there is a risk to committing to a long term scheme, if funding levels are drastically reduced.  
Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123 |
| Legal implications | The procedures for making and revising council tax reduction schemes are prescribed in schedule 1A Local Government Finance Act 1992.  
Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012 |
| HR implications (including learning and organisational development) | None arising from this report  
Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355 |
| Key risks | As outlined in the report |
| Corporate and community plan Implications | None |
| Environmental and climate change implications | None |
| Property/Asset Implications | None  
Contact officer: David Roberts@cheltenham.gov.uk |
1. Background

1.1 The Welfare Reform Act 2012 abolished Council tax benefit. Under the Local Government Finance Act 2012 local authorities had to design their own Local Council Tax Support (LCTS) scheme which protected pensioners.

1.2 Prior to the implementation of the countywide scheme in 2013/14, a consultation was undertaken. Although we were consulting on a scheme that was basically the same as the old council tax benefit scheme, the opportunity was taken to ask for the views on changes that could be made in the future to reduce the level of support given. The results showed that there was very little support for changing the scheme.

1.3 Billing authorities are the lead authorities in the design and implementation of a local scheme but have a duty to consult with major preceptors and other interested parties. Regular meetings have taken place with all six district councils, the County and Police to monitor the financial implications of the current scheme and to work together on the scheme for 2014/15 in Gloucestershire.

1.4 The biggest financial impact of decisions we make about the scheme will be felt by the County and the Police and without a clear indication of long term funding after 2014/15, they are unable to make a decision on a revised scheme beyond 2014/15.

1.5 At a meeting of section 151 officers and accountants from the County Council on 8th July 2013, it was agreed to recommend that the LCTS scheme should remain unchanged for 2014/15 in Gloucestershire.

1.6 During 2014/15 we should receive the funding arrangements for 2015 onwards and have a better idea of the effect the welfare benefit changes have had on customers. We should also have actual figures on the additional income generated from the exemption/discount changes and feedback from other councils who did not adopt the default scheme about the impact on council tax recovery and cost of collection.

1.7 If cabinet approve the recommendation to keep the LCTS scheme unchanged for a further year, other than the annual uprating of allowances, premiums and non dependant deductions, then the public consultation will be for eight weeks and will be web based.

2. Funding from April 2014

2.1 The Government funding for the LCTS scheme was expected to be cut by approximately 10% in 2013/14. Consequently this Council made changes to council tax empty property exemptions and second home discount to help offset the shortfall.

2.2 Initial figures seem to suggest the funding shortfall on LCTS will be around 9% for 2013/14, which works out to be £3,207,238 across the county and around £77,000 for the Cheltenham district/parish part of the charge.

2.3 Due to the nature of empty property exemptions and the fact the first month is 100% exempt, the next five months 25% exempt and then the full charge after six months, it is difficult to predict with any accuracy the increased income generated until the end of the year. Additional income has also been raised by removing the 10% discount on second homes.

2.4 In 2013/14 the Government provided transitional funding for councils which adopted either the default scheme (which Gloucestershire councils did) or a scheme that kept the loss of council tax support to working age customers to less than 8.5%. The transitional grant across the county was £906,734 and Cheltenham received £21,980.

2.5 The Government originally stated that the level of funding for the Local Council Tax Support
scheme for 2014/15 would be the same as 2013/14 and would then be reviewed long term in the
next spending cycle. We are awaiting confirmation of actual amounts for 2014/15, but indications
seem to suggest a reduction in Government funding from at least 2015/16.

2.6 Whilst it would be preferable to implement a scheme in 2014/15 that can remain unchanged for a
number of years, negating the need for annual consultation, we must take into account the annual
reduction in funding that may be experienced long term. We also need to bear in mind that the
biggest impact of decisions we make about the scheme will be felt by the County and the Police
and they are unable to make a decision on a revised scheme beyond 2014/15.

3. Reasons for recommendations

3.1 Based on estimates in 2012/13 the additional income generated from changes to exemptions and
second home discounts is expected to fully cover the funding shortfall in 2013/14 without using
the one off transitional grant for Cheltenham.

3.2 Long term funding of the Local Council Tax Support scheme is being radically reviewed along
with other funding streams and therefore until we receive figures it will be unwise to consult and
adopt a long term scheme at this stage.

3.3 The welfare reform changes have been delayed, with a benefit cap only recently implemented in
Gloucestershire and Universal Credit for new customers unlikely to start in our area until April
2014 at the earliest. Existing customers who don’t have any changes in their circumstances will
not transfer to Universal Credit until 2016 to 2018.

3.4 No accurate data is currently available from councils who did not adopt the default scheme in
2013/14, to compare the increased cost of collection, council tax outstanding and recovery work
involved from asking council tax payers on a low income to contribute more towards their council
tax.

4. Alternative options considered

4.1 Officers considered the potential for a cut in benefit levels but this was discounted on the basis of
the impact, including the impact on low paid residents, as well as the additional administrative
costs and potential increased level of write offs involved in generating large number of small bills
for residents who had not been used to paying council tax. No other alternatives were considered
as the County confirmed they were happy to keep the scheme unchanged for a further year,
based on the predicted increase in empty property exemptions across the district councils and the
transitional grant received in 2013/14.

5. Consultation and feedback

5.1 Council officers have been working with all Gloucestershire district councils on these proposals
and have consulted with the County Council and Gloucestershire Police Authority.

6. Performance management –monitoring and review

6.1 The benefits service will monitor any increased take-up of council tax support and any significant
changes will be reported to cabinet.

Report author Contact officer: Paul Aldridge, Paul.Aldridge@cheltenham.gov.uk,
01242 264196
<table>
<thead>
<tr>
<th>Appendices</th>
<th>1. Risk Assessment</th>
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<tr>
<td>Background information</td>
<td>1. Financial spreadsheet for 2013/14</td>
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### Risk Assessment

<table>
<thead>
<tr>
<th>The risk</th>
<th>Original risk score (impact x likelihood)</th>
<th>Managing risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk ref.</td>
<td>Risk description</td>
<td>Impact 1-6</td>
</tr>
<tr>
<td></td>
<td>Financial risk if additional income generated from exemptions and discounts do not cover the loss in funding</td>
<td>4</td>
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**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close

**Guidance**

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need...
to review objectives, options and decisions on a timely basis should these risks arise.

**Risk ref**
If the risk is already recorded, note either the corporate risk register or TEN reference

**Risk Description**
Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

**Risk owner**
Please identify the lead officer who has identified the risk and will be responsible for it.

**Risk score**
Impact on a scale from 1 to 5 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

**Control**
Either: Reduce / Accept / Transfer to 3rd party / Close

**Action**
There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

**Responsible officer**
Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

**Transferred to risk register**
Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on

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**Data for LCTS**
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<thead>
<tr>
<th></th>
<th>SDC</th>
<th>TBC</th>
<th>GCity</th>
<th>CDC</th>
<th>CBC</th>
<th>FoDDC</th>
<th>GCC</th>
<th>Police</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated cost of LCTS 2013/14</strong></td>
<td>6,776,000</td>
<td>4,302,000</td>
<td>8,727,000</td>
<td>4,851,000</td>
<td>7,073,000</td>
<td>5,958,000</td>
<td></td>
<td></td>
<td>37,687,000</td>
</tr>
<tr>
<td><strong>Current cost of LCTS Scheme</strong></td>
<td>6,465,793</td>
<td>4,130,812</td>
<td>8,666,541</td>
<td>4,680,888</td>
<td>6,683,164</td>
<td>5,946,906</td>
<td></td>
<td></td>
<td>36,574,104</td>
</tr>
<tr>
<td><strong>Funding received (incl. parish share)</strong></td>
<td>963,799</td>
<td>383,606</td>
<td>968,273</td>
<td>572,959</td>
<td>811,660</td>
<td>769,061</td>
<td>24,380,430</td>
<td>4,464,492</td>
<td>33,314,280</td>
</tr>
<tr>
<td><strong>Shortfall in funding across the county</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,259,824</td>
</tr>
<tr>
<td><strong>Transitional Grant received (inc. parish )</strong></td>
<td>26,555</td>
<td>10,420</td>
<td>25,996</td>
<td>15,808</td>
<td>21,980</td>
<td>20,979</td>
<td>663,499</td>
<td>121,497</td>
<td>906,734</td>
</tr>
<tr>
<td><strong>Caseload June 13 - Pensioners</strong></td>
<td>3,736</td>
<td>2509</td>
<td>4153</td>
<td>2910</td>
<td>3273</td>
<td>3495</td>
<td></td>
<td></td>
<td>20,076</td>
</tr>
<tr>
<td><strong>Caseload June 13 - Working age</strong></td>
<td>3,503</td>
<td>2548</td>
<td>6747</td>
<td>2279</td>
<td>4960</td>
<td>3332</td>
<td></td>
<td></td>
<td>23,369</td>
</tr>
<tr>
<td><strong>Caseload 2011/12 - Pensioners</strong></td>
<td>4,006</td>
<td>2,212</td>
<td>4,226</td>
<td>3,082</td>
<td>3,458</td>
<td>3,639</td>
<td></td>
<td></td>
<td>20,623</td>
</tr>
<tr>
<td><strong>Caseload 2011/12 - Working age</strong></td>
<td>3,488</td>
<td>2,857</td>
<td>6,682</td>
<td>2,173</td>
<td>5,007</td>
<td>2,997</td>
<td></td>
<td></td>
<td>23,204</td>
</tr>
</tbody>
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**Cheltenham data**

<table>
<thead>
<tr>
<th>District/parish</th>
<th>Police</th>
<th>County</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding shortfall (9%)</td>
<td>76,448</td>
<td>81,561</td>
<td>443,476</td>
</tr>
<tr>
<td>Less Transitional grant</td>
<td>-21,980</td>
<td>-22,965</td>
<td>-125,413</td>
</tr>
<tr>
<td>Additional income needed to cover shortfall from changes to exemptions and discounts</td>
<td>54,468</td>
<td>58,596</td>
<td>318,063</td>
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</tbody>
</table>