

Appendix A – Local Council Tax Scheme Options

Option 1

A scheme which delivers reductions in cost to fully mitigate estimated grant loss

The simplest solution under Option 1 is to calculate entitlement under existing rules, estimate the amount likely to be payable to pensioners and then apply a standard percentage reduction to all other claimants.

Based on expenditure in 2011/12, the percentage reduction required to working age residents in receipt of Council Tax benefit would be 23.45%, to offset a 10% reduction in overall grant.

The main advantages of Option 1 are that it is relatively simple to implement, it minimises the risks of error and reduces financial risk for all tiers of authority.

The main disadvantages of Option 1 are that it is an arbitrary reduction on all non-pensioner claimants and does not make any further allowances for individual circumstances or other changes affecting the income of claimants. It could lead to an increase in complaints and cost of administration, with the Council faced with collecting small amounts from many new households.

There could be further refinements of this option with protection for other vulnerable groups e.g. households with children, or those with a disability. However, this would require a higher standard percentage reduction on other claimants.

Option 2

A scheme which maintains current levels of eligibility where the grant loss is absorbed by authorities

Option 2 is the easiest to implement as it would require no change to the existing scheme but has significant financial implications for the council, preceptors and council tax payers. The following table shows the estimated cost to each tier of authority based in 2013/14.

Grant reduction (10%)	Maidstone Borough Council	205,000
	Kent County Council	970,000
	Kent Police	123,000
	Kent fire and Rescue	68,000
		1,366,000

Whilst the Council could potentially absorb its element of the grant reduction in one year the major preceptors have stated that they could not absorb this increase, which when totalled for Kent would provide a financial loss in excess of £8m for Kent County Council, £1m for Kent Police and £500,000 for Kent Fire and Rescue.

The main advantages of this option are that it would protect current recipients of council tax benefit from any increase, it would be easy to implement; there would be no additional administration costs and no likely increase in customer complaints. It would also give authorities time to consider a longer term scheme.

The main disadvantage is the level of cost to be absorbed due to the grant reduction, which would impact on service provision, council tax payers and the collection fund..

Option 3

A scheme which delivers reductions in cost through amendment to the benefit scheme which partially mitigates grant loss

It is possible to have a variation that is somewhere between the first two options. The variations are, in theory, unlimited subject to the software being available to administer such a scheme.

Examples of such change include:

Backdating

Legislation provides automatic backdating if the claimant can demonstrate good cause for delay. Backdating is 3 months for pensioners and 6 months for other cases. Backdating could be reduced to 3 months for non pensioner claims.

Capital Limit

The current capital limit at which claimants are excluded from claiming benefit is £16,000 but could be reduced to a lower figure such as £6,000.

Non Dependant Deductions

Deductions are currently made for other adults in the household with earned income. This is based on a sliding scale and could be increased.

The simplest option would be a standard reduction, as in the first option above, but at a lower standard percentage than that required to mitigate the full loss of grant.

The main advantage of Option 3 over Option 1 is that it would reduce the cost impact on households from 23.45% to 21.8%, by generating an estimated £96,000 if all the examples were applied.

The main disadvantages is the limited financial impact of the changes, the disproportionate impact that the changes could have on the small number of residents and the reduction in costs will not offset the reduction in grant.

Option 4

A scheme which partially mitigates the reduction in benefit and grant through other changes

As part of the wider localism reforms the Government is proposing to give authorities discretion to vary some of the statutory exemptions from council tax.

The category that will have the most impact on the amount of council tax raised is where exemption of up to 6 months is granted for vacant properties (class C). In 2011/12, the total amount of relief granted under class C in Maidstone borough was £1,030,000.

Other current exemptions could also be changed. For second homes the current policy allows for a minimum of 10% discount on the council tax bill. The additional income generated if no discount was given for second homes is estimated at £24,000.

The proposed changes to class C exemptions and second homes are included in Local Government Finance Bill which is currently going through the Parliamentary process.

The potential opportunity to generate additional income in order to bridge the funding gap from this proposal should be considered as a way to offset some of the increased costs from the new scheme of local support for council tax.

Option 5

Common framework for schemes in Kent

Each billing authority has to devise and implement its own local scheme. However because of the constraints on the changes that could be made in 2013/14 it is possible that many authorities will adopt similar schemes.

If authorities in Kent could agree schemes with similar criteria it would have significant advantages in terms of simplicity, cost of administration and implementation. It would also prevent variations for claimants moving between authorities.

A proposal has been put forward (with the joint agreement of all major precepts) that seeks to meet these aims is detailed below.

If MBC applies a standard deduction of 18.5% on all non pensioner claimants, or produces an alternative local scheme that achieves the equivalent of a 10% saving in expenditure on discounts to claimants, and agrees to reduce the exemption on Class C empty properties from 6 months to 3 months, major precepting authorities will if the cost of new council tax discounts from the local scheme is higher than the grant receivable from government, jointly reimburse MBC the difference and jointly contribute £125,000 to the administrative, collection and recovery costs of the new scheme, as well as reimburse MBC reasonable increased administrative costs necessarily incurred if the case load on the local scheme exceeds the case load of the council tax benefit scheme by more than 15%.

Option 6

Local variation within the framework for schemes in Kent

That the Council:

Applies a standard deduction of 13% on all non pensioner claimants, removes the 10% discount current applicable to second homes and reduces the exemption on Class C empty properties from 6 months to 1 month.

Major Precepting Authorities will;

If the cost of new council tax discounts from the local scheme that is higher than the grant receivable from government, jointly reimburse the district the difference and jointly contribute £125,000 each year to the increased administrative, collection and recovery costs of the new scheme, as well as reimburse the Council reasonable increased administrative costs necessarily incurred if the case load on the local scheme exceeds the case load of the council tax benefit scheme by more than 15%.