



Leicester
City Council

Council

24th January 2013

Council Tax Reduction (Local) Scheme - Scheme Options

REPORT OF THE DIRECTOR OF FINANCE

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to outline the three scheme proposals, the financial and impact implications associated with each scheme to enable the council to adopt a Council Tax Reduction scheme for Leicester City that is within its budget capacity by 31st January 2013.

2. SUMMARY

- 2.1 The Authority is required to establish a Local Council Tax Reduction Scheme, known as Council Tax Reduction (CTR) to replace Council Tax Benefit (CTB) from April 2013. This is a key strand of the Government's wider Welfare Reform review. The Scheme also brings with it reduced funding from Central Government, and Leicester needs to consider how to address this reduction in funding.
- 2.2 This report proposes a Local Council Tax Reduction Scheme to replace CTB for 2013/14 that manages the £3.187 million shortfall in Government funding which is based upon current, and increasing, levels of CTB. There are associated costs that increase the shortfall to a maximum of £2.1 million. In addition, the change also increases the likely level of non-collection of Council Tax by up to £1.231 million gross / £0.916 million net, and this needs to be addressed as part of the 2013/14 budget strategy.
- 2.3 The Council must approve a scheme no later than 31st January 2013 or the Government default scheme, requiring the shortfall to be fully funded by the Council, will be imposed. The Executive have reviewed the proposal and recommended a scheme (scheme one) to Council.

3. RECOMMENDATIONS

- 3.1 Council is asked to review the three proposals put forward in the report. The Executive have recommended Council adopt for the consulted Localisation of Council Tax Reduction Scheme (Scheme One para 4.18 page 5) excluding removal of backdating.

- 3.2 Council is recommended to approve a fund of £315K (4.16 page 9) for council tax discretionary relief (also known as Section 13A within the Local Government Finance Act) to financially assist the most vulnerable individuals in the city against the adverse impacts these groups may face following the introduction of the Council Tax Reduction Scheme.

4. BACKGROUND AND KEY ISSUES

- 4.1 In the Spending Review 2010 it was announced that the CTB Scheme would be abolished and a framework for localised reduction schemes for Council Tax would be introduced and operative from 2013/14. It was also announced that Government support would be reduced by 10% of current year spend. For Leicester the spend is £32 million with an increasing take-up of 1% per annum.
- 4.2 The Local Government Finance Bill (enacted in November 2012) and the Welfare Reform Act 2012 impose a duty on billing authorities to design and introduce a Localised Council Tax Reduction Scheme (CTR) by 31 January 2013 for operation from April 2013/14. The regulation surrounding the default and prescribed scheme become effective on 18th December 2012. If the council does not adopt a scheme the Government will impose their default scheme upon the council which requires the Council to fully fund to previous CTB levels (ie up to 100% relief).
- 4.3 The Local Government Finance Act 2012 was given Royal Assent on 1st November 2012 and incorporated an amendment from the House of Lords that the CTR schemes will be reviewed after 3 years.

LOCALISED SCHEME – PENSIONERS AND VULNERABLE GROUPS

- 4.4 The Government has prescribed that local schemes must offer protection to certain groups, which will include eligible pensioners, based on the same factors that have determined their eligibility and award under the current Council Tax Benefit (CTB) scheme. Unlike most other groups, pensioners cannot be expected to seek out paid employment to increase their income and are protected from any reduction proposed by the introduction of the Council Tax Reduction scheme. Pensioners currently account for 37.9 per cent (15,278) of the Council CTB caseload of 40,315. As current charge-payers age, and so meet the criteria, this will increase the numbers being protected. Leicester's age profile is of an increasing elderly population and no additional funding is provided for this on-going growth.
- 4.5 The Government have indicated that a local scheme should also look to support to the same level as now of other "vulnerable groups", which are currently not defined, as well as ensuring that the scheme supports the Welfare Reform programme aim of supporting people back into work. Leicester has consulted on whether vulnerable people should be protected under its CTR scheme and 73 per cent of respondents agreed they should be. The scheme has retained key elements of the CTB scheme which allowed vulnerable groups disregards from certain types of income within the calculation of awards, including but not limited to child benefit; disabled living allowance; and war widows pensions/disablement benefits and separately by continuing the allowances within the calculation for carers and child care. These will provide financial buffer from the full effects of the change. This protection has been allowed within costs of the scheme design.

- 4.6 In addition to this the council has reviewed the Council Tax Discretionary Relief policy to allow additional protection to the most severe impacts of these reforms on vulnerable persons who face exceptional financial hardship. The relief will reduce the Council Tax payable after taking into account eligibility for any national benefits, discounts, reliefs and exemptions. This additional protection will be an assessed reduction which can be applied to an individual in exceptional circumstance. The Executive have considered which individuals are included in the vulnerable category. The executive have recommended approve a fund of £315,000 (with financial contributions from the precepting authorities Fire £11,559 and Police £37,650).
- 4.7 The table shows the full cost of this protection which would have to be paid by Working Age claimants (to fund all groups this cost would be £1.54m):

<u>Vulnerable Group</u>	<u>Current Council Tax Benefit</u>	<u>Impact on Reduction Measures</u>
Disability, depending on the extent of disability	£1m - £4m	Up to 28%
Dependent children under 5 (parent or parents on income support)	£2.4m - £3.4m	13%
Other groups, including:-		
- care leavers		
- think family		
- hostel leavers		
- claimants fleeing domestic violence		
- supported by Forced Marriage Unit	£0.3m	2%
- war widows		
- drug/alcohol dependent		
- foster carers		
- ex-offenders under MAPPA arrangements		
- expectant and nursing mothers		

* The vulnerable groups under the scheme are as set out in the current CTB scheme with additional groups identified through the impact assessment (appendix B).

- 4.8 If pensioners equate to 37.9 per cent of the current claimant base, are not worse off in 2013/14 compared to 2012/13 then the Working Age claimants have to bear the cost that the Council decides not to fund. The impact is that the Working Age claimants will pay 20 per cent of the Council Tax charge.

FUNDING THE LOCAL COUNCIL TAX REDUCTION SCHEME

- 4.9 The Government will allocate funding separately to billing and precepting authorities, in proportion to their Council Tax charge, to support the provision of Local Schemes. Under the previous CTB arrangements Leicester as the administering authority was fully reimbursed for all awards made. Leicester will now receive 84% of the available funding with the Police and Fire and Rescue Services the balance. The grant is not being ring-fenced to use for the Local Scheme so authorities can decide its scale as long as any statutory levels and protections are met.

- 4.10 The grant will be a reduction of 10 per cent on previous CTB grant funding. It will be based upon the May 2012 caseload and reassessed at November 2012 and will take no account of any on-going increase in caseload. For Leicester this is currently showing a 1 per cent to 2 per cent per annum increase (the risk is upon the Council and each 1 per cent increase in benefits paid will cost the Council £300,000). Those authorities with a high proportion of people on benefits face higher risks than those serving less deprived areas, as do those with an ageing population, both at a time of unprecedented resource reduction for all authorities.
- 4.11 CTB currently reduces the net Council Tax payable whereas the 25 per cent Single Person Discount reduces the gross sum payable, and is taken into account in the annual Council Tax Base calculation used to determine the level of Council Tax payable. The new Local Scheme will be viewed as reducing the gross sum due (the same as the Single Person Discount calculation) thus reducing the Council Tax Base. The Council's total budget requirement to be raised from Council Tax is reduced by the Government grant which is set at 90 per cent in respect of the previous CTB awards.
- 4.12 As the Council Tax Base and amount to be raised both reduce the charge per Council Tax Band this should be equivalent to 2012/13 bar for the 10 per cent reduction. The Government view is that authorities are then free to make up any or all of the 10 per cent reduction and if the full sum is found (£3.1 million for Leicester) the Council Tax level would stay the same.

LOCAL COUNCIL TAX REDUCTION SCHEME

- 4.13 The report to the Executive on 5th July 2012 indicated that Leicester like all Councils was likely to retain most of the elements within the current Council Tax Benefit scheme and this remains the case. However there are some amendments which will mitigate the shortfall in Government grant.
- 4.14 Whilst all software suppliers have stated they will be unable to provide a bespoke system for 2013/14 they are confident that they will be able to deliver Leicester's proposed changes by altering their current CTB system. In respect of administration there will be increased costs of £117,500, made up of
- court fees payable (approximately £42,000),
 - payment processing costs (potentially 192,000 additional payments approximately £56,160) and,
 - postage and stationery costs (£19,360).
- 4.15 The schemes have been modelled on historical data and whilst subject to change before the year-end these will be minor changes within acceptable parameters. The recommended scheme (Scheme 1) is based upon the reduced funding available and Scheme 2 based largely on the recently announced one year transitional protection grant from Government. Scheme 3 is the Government Default Scheme if the Council does not implement its own scheme.
- 4.16 If no scheme is adopted and hence the default scheme applies (i.e. the scheme operates as it does now), then this would result in an unbudgeted additional general fund cost to the Council of **£4.7m**.

Whilst some element of subsidy to the scheme has been included in the financial strategy, this would require further general fund savings of £1.8m to be found.

The implications of the consulted on scheme (scheme 1), the transitional grant scheme (scheme 2) and the default scheme (scheme 3) are set out below.

- 4.17 The council is required to draft Leicester City Councils Council Tax Reduction regulations. The full drafted legislation for the recommended scheme can be found on the web link. A summary of the scheme regulation detail can be found in appendix E.
(Members are asked to note section 11- legal implications).

SCHEME 1 – GRANT REDUCTION PARTLY CONTAINED WITHIN CLAIMANT BASE

(Recommended as this scheme sees some of the costs being met)

- 4.18 In summary, some of the costs can be met using six proposals detailed after Table 2

Table 2 : RECOMMENDED (SCHEME 1) INCOME TO THE COUNCIL

Details	£000s
Proposal 1 Award limited to 20%	3,676
Proposal 2 Second Adult Rebate	50
Proposal 3 Cap liability to band B	160
Proposal 4 remove backdating*	3
Proposal 5 Minimum award at £3.55	67
Proposal 6 Reduction based on capping savings	156
Total Income	4,112
Less: bad debt	(1,234)
Less: irrecoverable overpayments	(125)
Less: hardship provision	(315)
Net scheme savings	2,438

Scheme deficit to be met by financial strategy £2,232,000.

- 4.19 Detail of the six elements of the scheme:

- **Proposal 1 - Limit the award of Council Tax Reduction to 80% of the Council Tax liability**

Rather than the current 100% liability so, at least, 20% of Council Tax will be paid by the Working Age claimants which currently number 25,000 and of these 16,000+ have not paid any council tax before. This equates to approximately £4.35 per week to be paid by a couple living in a Band B property and £3.26 per week for a single person living in a Band B property. The highest bill, a claimant in band G property, getting 100 per cent Reduction will pay is £29.14 a week. Limiting awards to 80% reduces the CTR funding shortfall by £3.676m.

- **Proposal 2 - Remove Second Adult Rebate**

Currently 593 people are not entitled to Council Tax Benefit in their own right as their income or savings are too high but they can claim Second Adult Rebate because they have an adult living with them who is on a low income. The maximum reduction is 25% and the removal of this realises £50k.

- **Proposal 3 – Band cap at Band B**

Currently people in any size of property can get help with all their council tax if their income is low. Properties are given a valuation band between band A (with a council tax bill of £969.80 per year) and H (with a council tax bill of £2,909.40 per year) based on their value.

Out of all those currently receiving council tax benefit in Leicester, 93% live in homes in bands A or B and 7% live in homes above band B (bands C-H).

The proposed change will mean council tax Reduction would be worked out at the band B rate, even if you live in a higher band property. This will affect 779 cases and the introduction of this limit will realise £160k.

- **Proposal 4 - Stop backdating of CTS claims**

Currently CTB claims can be backdated for up to 6 months if good cause is shown for not claiming earlier. In the first half of 2012/13 34 claims were backdated. If Leicester only granted CTS from the date of the claim then it will reduce the CTR shortfall by £3k. It is recommended to not adopt this proposal.

- **Proposal 5 – set a minimum award level**

Currently there is a 1p minimum amount of council tax benefit that a claimant can receive. The proposed change is that we do not award a reduction if the amount is less than £3.55 a week or the DWP equivalent value of the 'attachment to income' amount following annual uprating of State Benefits. Currently 703 households receive council tax benefit below the proposed amount. We have adopted a minimum award level of £3.55 as this is the weekly amount the Department for Works and Pension accept as an attachment to benefit to recover unpaid council tax. The introduction of this limit will realise £67k.

- **Proposal 6 - Limit CTS Reduction to those with savings under £6,000**

Under the current scheme savings between £6,000 and £16,000 are taken into account when calculating CTB. Savings over £16,000 and the claimant will not qualify for CTB. There are currently 281 CTB claimants with capital over £6,000 who would no longer qualify and this proposal will reduce the CTR shortfall by a further £156k.

Note: Members should be aware that these proposals are not mutually exclusive and some charge payers would face two or more reductions further increasing their Council Tax bill.

SCHEME 2 – TRANSITIONAL GRANT SCHEME

(not recommended as this only part funds the scheme and this part funding is only for the financial year 2013/14)

- 4.20 On 15 October 2012 the Government allocated £100 million to help assuage the £500 million removed overall from the national CTB scheme. This transitional payment is only available for one year, 2013/14 so would have to be found by Councils in 2014/15 or claimants would then face a significant increase in Council Tax payments.
- 4.21 Leicester's' share, providing specific conditions were met in relation to its local CTR scheme, is likely to be £607,780 and to receive the grant:
- The level of Council Tax payable must be limited to 8.5%. The Leicester Scheme 1 proposal has a payable level of 20%, proposal 3 cap the band level at band B, and proposal 5 capital level set at a ceiling of £6,000 would be unacceptable.
 - The taper rate used in the scheme not increasing to more than 25%; Leicester has no plans to do this.
 - There is no sharp reduction in Reduction to those returning to work. Leicester has no such plans.
 - Councils would not propose large increases in non-dependant deductions. Leicester has no such plans.

Table 3: NOT RECOMMENDED (SCHEME 2) COST TO THE COUNCIL

Details	£000s
Proposal 1 (amended) Award limited to 91.5%	1,595
Proposal 2 Second Adult Rebate	50
Proposal 4 remove backdating*	3
Grant	608
Total Income	2,256
Less: bad debt	(494)
Less: irrecoverable overpayments	(125)
Less: hardship provision	(160)
Net scheme savings	1,477

Scheme deficit to be met by financial strategy £3,193,000.

- 4.22 Proposals 1, 3 and 6 cannot be implemented so will not deliver the savings from within the local CTR scheme or provide for a 1% increase in caseload for 2013/14. The grant cannot be applied for until after 31 January 2013, when the new CTR scheme must be in place and will be payable in March 2013. Given the criteria and the Council's financial situation applying for the grant is not recommended as the preferred option.

SCHEME 3 – GOVERNMENT DEFAULT SCHEME

(not recommended as the Council would have to identify savings equivalent to the 10% reduction in Government Grant)

- 4.23 Failure to adopt a Local Scheme will result in the Government default scheme being imposed upon the Council. This scheme is the current CTB scheme and will require Leicester to fully fund the 10% grant reduction and also the new claimants for 2013/14. Given the financial impact (£4.7m) this is not recommended.

IMPACTS OF BILLING AND COLLECTING INCREASED COUNCIL TAX

- 4.24 From April 2013 Council Tax will become collectable from some of the most vulnerable and low income working age residents with many making payment for the first time. Consequently this will impact upon collection rates with a likely drop in collection from the current 96.4% by between 0.4% to 1% which equates to between £0.378 million to £0.946 million gross in 2013/14. The net loss to the Council needs to be reflected in the Budget Projections for 2013/14.

Table 5 : LOSSES ON COLLECTION TO BE FUNDED BY THE COUNCIL

Details	£ Minimum	£ Maximum
Drop in collection	378,000	946,000
Preceptors share	59,081	147,860
Loss to the Council	318,919	798,140

- 4.25 A higher percentage of non-payment is inevitable, as previous 100% benefit recipients are presented with a Council Tax bill for the first time; there are 16,000 of these households in Leicester – the financial burden these households will face will be similar to when General Rates was replaced by the Community Charge in 1990. The Universal Credit Regulations are awaited to see if it will allow for higher deductions for non-payment of Council Tax. The current amount of deduction would take approximately 56 weeks to clear the Council Tax debt plus costs due thus leaving an increasing year-on-year level of debt. The fair debt policy has been reviewed in light of the challenges with stakeholders. A copy of the Fair debt policy is attached in appendix E and please refer to the impact assessment (appendix B) section 8, pages 48 – 62 for details of the mitigation considerations.
- 4.26 The level of contact will inevitably also increase with volumes of advice support and collection contacts being handled at our main customer service contact centre, Revenues & Benefits Service contact centre, Welfare Rights Service, Libraries, Call Centres and Back Office. These are not contacts likely to be handled via the developing self- service route. Effective contact will also include trying to direct to other agency and organisations support, albeit they too will be facing this situation with reduced resources.
- 4.27 **Council Tax Discretionary Relief fund.**

The Council Tax financial regulations contain a provision which allows the Council to award financial assistance for households who pay council tax liability who face exceptional hardship. The policy formally known Section 13A has been revised and re named Council Tax Discretionary Relief. Current funding limits are encompassed with the general hardship fund for local tax. It is proposed the council separates the funding. The fund is proposed to be cash limited with the option to increase the limit in exceptional circumstances if deemed necessary.

The policy has been reviewed to ensure that the most vulnerable members of the community who pay council tax are protected in line with the requirements of the Government's localisation of council tax Reduction. Discretionary Housing Payments which currently provides this function will no longer provide financial hardship assistance for Council Tax Benefit claimants as this national benefits scheme is abolished from April 2013. The policy can be found in appendix C & impact in appendix B with particular reference to section 6 Vulnerability, pages 37 –42 of the CTR impact assessment. Policy is currently treated as draft pending the scheme selected for the city and the attributed funding arrangements.

	Leicester City (£)
Billing Authority	265,791
Leicestershire Police Authority	37,650
Leicestershire Fire Authority	11,559
Total:	315,000

The precepting authorities Fire and Police have been asked to contribute to the fund (see table above).

The recommendation is Leicester City Council establishes a fund value of £315,000 with the option to increase following a mid-year review. Should the council adopt a scheme two or three the funding will be reduced and apportioned appropriately to reflect the reduction in the financial impact for charge payers associated with the particulars of the scheme adopted. The contribution from the precepting authorities will be adjusted accordingly to reflect the scheme financial risks for vulnerable and protected groups.

5. RELEVANT RISKS

- 5.1 Whichever Local Scheme is agreed there are risks around the impact upon both claimants and the Council. For the Council this relates to the collectability of the sums due including the increased administration required to pursue what will be low level debts. The implementation of Scheme 1 will mitigate the costs to the Council although there will be an increase in costs due to the non-collectability of the debts.
- 5.2 If the Council does not adopt a Local Scheme the Government will impose its default scheme, which is the current scheme and it will still have to find the full level of savings and increase in caseload for 2013/14, affecting its budget adversely.
- 5.3 In respect of demographic changes the Council has allowed for a contingency of 1% representing increased claims for 2013/14. This covers the increase in the elderly population. There is an economic risk in that if any large Leicester based employer or one in the surrounding area ceased to trade there could be a considerable increase in the number of claimants. Leicester has to fund increases arising from these changes from its own resources.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 There is a statutory requirement to have a Localised Reduction Scheme for Council Tax in place by 31 January 2013 or the Government default scheme will be used as the Localised Scheme for 2013/14.

7.0 CONSULTATION

- 7.1 All Councils are legally required to consult on their proposals for the CTR scheme. Leicester's consultation took place from 5 September to 30 October 2012. Forms were available on line and at Libraries, Customer Services, Revenues & Benefits customer contact reception and Council staff attended numerous awareness events across the city to explain and encourage participation. There was a press release and a direct email to 30,000 working age Council Tax Benefit claimants.

In this consultation "Have your say: Big changes to council Tax benefit" there were 871 responses which is good in comparison with other Councils. The responses and comments have informed the final decisions made in drawing up the Leicester's scheme proposals for 2103/14. Please note at the time of publication of the consultation the scheme was called Council tax support, subsequently the final regulations state the scheme is a reduction, hence the change in scheme title.

The Appendix A details the responses with the headlines being:

In total, there were 871 completed responses to the survey:

70 from non-city residents;

801 from city residents.

Non-city resident respondents

Of the 70 non-city resident respondents,

- 20 work in the city including a number of city council employees,
- 8 represent local voluntary or community organisations,
- 8 represent local businesses,
- 3 are landlords, and 3 are county residents.

City resident respondents

- 709 are the bill payer for their household
- 34 are not the bill payer for their household
- 27 do not know whether their name appears on the Council tax bill for their household
- 31 preferred not to answer the question

There were significant level of interest:

- 871 completed responses (compared to 437 in Derby and 454 in Nottingham)
- Responses from all ethnic groups - with numbers in similar proportion to the ethnic composition of the resident population (62% white, 3% mixed, 28% asian, 6% black, 1% other)
- Responses came from across all neighbourhoods/wards.

A summary of the responses to questions asked:

Proposed changes to elements of the local scheme (Qs 1-6)

- Between 42% and 54% disagree or strongly disagree with the proposed changes.
- The proportions are higher amongst beneficiary households, although there is also a consistent level of disagreement in around a third of non-beneficiary households.

Proposal to continue to ignore certain benefits, including child benefit and disability living allowance, when calculating household income (Q7)

- Over 70% agree or strongly agree with this proposal.
- This level of agreement is the same amongst both beneficiary and non-beneficiary households

Proposal to provide extra support to households with disabled people and those with caring responsibilities (Q8)

- 36% disagree or strongly disagree with this proposal, which is a lower level of objection than for any of the other proposed changes.
- 15% neither agree nor disagree, which is the highest level of indecision for any of the proposed changes.

Proposed options for raising the revenue to pay for extra support (Q9)

- Over half did not answer this question.
- Amongst those that did, there was no particular preference for one option over another.
- Comments indicated some support for higher charges on wealthier households and an appeal for government to look for savings from other areas of the budget.

Anticipated impact on the household (Q10)

- Over 50 %, including a third of non-beneficiary households, anticipate that the changes would require them to reduce spending on essential items, such as food and heating, and non-essential items, such as leisure activities
- Just under 50% indicate that they would need to borrow money to meet the additional cost.
- Only 12% report that the proposed scheme would not result in any additional costs
- Comments highlighted the potential negative impact on people's health, on children.

Other comments (Q11)

- Highlighted the financial dilemma they would face– critically they understood why the scheme was needed but not felt it to be unaffordable from a personal perspective.

8. IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are on-going implications for all groups as the impact of the changes are identified and implemented. The equality impact assessment is detailed in appendix B.

9. DETAILS OF SCRUTINY

N/A

10. FINANCIAL IMPLICATIONS

10.1 The financial implications are set out in paragraphs 3.13 to 3.26 of the report.

10.2 The options being put forward are:

	<u>Cost</u> £m	<u>Saving</u> £m	<u>Net Cost</u> £m
1. Adopt the preferred local scheme	4.7	(2.4)	2.3
2. Transitional grant scheme (1 year only)	4.7	(1.5)	3.2
3. Default scheme	4.7	-	4.7

The 2013/14 financial strategy assumes some level of support to the scheme (approx. £2m-£2.5m).

11. LEGAL IMPLICATIONS

11.1 The By virtue of the Local Government Finance Act 2012, the Council, as billing authority, is required to adopt a scheme for Council Tax support by 31 January: failure to do this will result in the statutory “default” scheme applying automatically. Councils are able to design their own scheme, provided that it complies with the statutory framework (prescribed requirements).

The scheme is a “reduction” scheme in accordance with the Act, Schedule 4 of which in particular requires billing authorities to make a scheme specifying the reductions which are to apply to amounts of council tax payable, in respect of dwellings situated in its area, for:

- a) persons whom the authority considers to be in financial need, or
- b) persons in classes consisting of persons whom the authority considers to be, in general, in financial need.

The first financial year to which that scheme relates must be the year beginning with 1 April 2013.

The prescribed requirements ensure that the position of pensioners is protected, excludes those who are subject to immigration control and/or not otherwise treated as being in Great Britain and sets a number of prescribed administrative requirements.

The government has issued guidance and toolkits for authorities on the implementation of the new regime and that guidance has been a material consideration in the preparation of the Council’s scheme. Including, in particular, the guidance on vulnerable persons.

The Council is required to consult before making (or changing) its scheme. Due to timescales the Act specifically recognises that consultation may lawfully take place before the provisions of the Act come into force.

The consultation requirements require, in the following order:

- 1) consultation with any precepting authority
- 2) publication of the draft scheme,
- 3) consultation with any other person that the Council considers likely to have an interest in the operation of the scheme,

before the making of the Scheme.

The Council conducted a consultation exercise as described in the report. The outcome of the consultation is described in this report as is the Council's response and this report concerns the proposed final scheme after taking into account the outcome of the consultation.

In preparing this scheme and the proposals for surrounding administrative arrangements, consideration has been given to "cliff edge" situations and exceptional hardship as described in the report.

The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity for people sharing protected characteristics which are Age, Disability, Transgender, Pregnancy and maternity, Race, Religion / Belief, Sexual Orientation, Sex and Marriage/Civil Partnership. An EIA has been prepared and is available as part of the background papers to this report and has been updated as a result of the consultation responses and in line with the final scheme as recommended in this report.

The Council, as recommended by the government guidance, has also had regard to those in housing need, children and the armed forces.

This report also sets out the Council's position on transitional grant, with reasons.

Joanna Bunting
Head of Commercial and Property Law, Legal Services
Contact Ext: 296450

12. CLIMATE CHANGE AND CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising directly from this report.

Carole Brass. Environment manager. Contact 0116 2526732

13 IMPACT ASSESSMENT

- 13.1 The potential impact on equality of the proposals has been nationally considered reviewed and the DCLG hyperlink is: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8465/2158675.pdf

The introduction of a Local Scheme will have equality implications which will be more clearly identified as the Scheme is developed. A Phase 1 Equality Impact Assessment is appended.

14. OTHER IMPLICATIONS

14.1 N/A

15. BACKGROUND INFORMATION AND OTHER PAPERS

Local Government Finance Act 1992: and subsequent amendments in relation to Council Tax Reduction:

<http://www.legislation.gov.uk/ukpga/1992/14/contents>

<http://www.legislation.gov.uk/ukpga/2012/17/enacted>

DCLG Council Tax Reduction publications:
https://www.gov.uk/government/publications?utf8=%E2%9C%93&keywords=council+tax&publication_filter_option=all&topics%5B%5D=local-government&departments%5B%5D=all&direction=before&date=2013-01-01

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	Yes	4.4 – 4.8 & 4.26 & impact assessment appendix B
Policy		
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	4.4 – 4.8 & 4.26
Corporate Parenting	Yes	Impact assessment appendix B
Health Inequalities Impact	Yes	Impact assessment appendix B

16. SUMMARY OF APPENDICES

Appendix A: Council tax consultation documents:

- 1) Final report of consultation responses
- 2) Consultation booklet
- 3) Questionnaire
- 4) Submission by East Midlands Defend Council Tax Benefit campaign.

Appendix B: Impact Assessment – Final

Appendix C: Draft Council Tax Discretionary Relief policy 2012/13

Appendix D: Fair debt policy (reviewed August 2012 - final version).

Appendix E: Summary of Leicester City Council's proposed Council Tax Reduction Scheme legislation. (to follow)

Appendix D



Fair Debt Policy 2012

1. Background

- 1.1 The council first approved a Fair Debt Collection Policy in 1995. The policy was established as a means of not only protecting the interests of the council in collecting the debts owed to it but also recognising that, in certain circumstances, immediate full payment of the sum due to the council could cause the customer difficulty.

2. Principles of the policy

- 2.1 To ensure the city council can provide public services to the people of Leicester, everyone is expected to pay their debts on time. However, the council recognises that some people face payment difficulties and has approved a policy to assist people to pay on terms that are fair. The structured policy ensures consistency, whilst leaving scope for officers to use their discretion. We seek at all times to maximise the income available to the council but remain mindful that a “one size fits all” approach is inappropriate when dealing with debt recovery.
- 2.2 Poor debt collection performance has an impact on cash flow and on the reputation of the council, and exacerbates a culture of late and non-payment. There is a further risk that the debt ultimately cannot be collected, or becomes uneconomical to collect, and the income is lost to the council. This is unfair to the vast majority of people who do pay their bills. Early contact and a consistent approach is the best way to minimise the risk of poor collection performance.

3. The benefits of a Fair Debt Policy

- 3.1 The council believes that the Fair Debt Collection policy will:

Help identify when there are likely to be difficulties for people in making payments

Enable people to come to realistic repayment agreements

Make sure that any enforcement action taken is effective

Encourage people to make contact at an early stage when they first face financial difficulties

Enable us to predict our rate of collection more reliably

Enable us to save money on court costs and staff time.

4. Policy aims

The policy:

- a) Considers that people have a responsibility to pay, and that debts must be met.
- b) Acknowledges that, equally as important as collecting revenue, is the need to provide a service that is both efficient and sensitive to the needs of the debtor. The policy commits the council to operating in a fair and equitable way when recovering debts.
- c) Is concerned about the ability to pay rather than the type of debt owed to the council and requires officers to work with debtors and their representatives to set realistic repayment amounts for payment over a reasonable period of time.

- d) Acknowledges and respects the debtor's obligations to his/her dependants. Reference to a minimum and maximum payment range requires officers to ensure that undue pressure is not brought to bear on debtors to make arrangements that they cannot sustain.
- e) Recognises that the majority of debts owed to the council, such as council tax, business rates and rent, are considered to be priority debts, and consequently have to be given precedence over most other debts people owe.
- f) Aims to achieve a fair balance between the claims of competing creditors in recognition of the need for debtors to maintain an acceptable standard of living.
- g) Aims to be both proactive and reactive in its attempts to minimise and prevent debts. The council will provide information on organisations that will give impartial benefit and debt advice in order to assist debtors.
- h) Acknowledges that there may be exceptional circumstances where it is not possible or it is inappropriate to collect a debt owed to the council, such as bankruptcy or liquidation.

5. Types of debt covered by the policy

- 5.1 The council's aim is to provide a co-ordinated approach to the administration of billing, benefits and multiple debts throughout all relevant areas of the council. The Fair Debt Collection Policy covers council tax, business rates, council rent, housing benefit overpayments and debts administered by the income collection team. The policy does not cover debts to be repaid because sums were originally claimed fraudulently or where the courts have imposed a payment or committal order.
- 5.2 The policy applies to personal, non-commercial debt. In the case of business debts, Officers will have regard to the principles of this policy which will be applied in its entirety where suitable (e.g. small business debts owed by individuals)

6. Communication and contact with the Council

- 6.1 Leicester City Council will notify debtors in writing about what they owe by inviting them to make contact with the council in person or by phone at an early stage of the recovery process. All such correspondence will be written in plain English and will contain, where appropriate, information about where to get independent advice.
- 6.2 Clear information will be available in a variety of formats about all aspects of collection and debt recovery, concentrating particularly on providing information as to where independent advice and help is available.
- 6.3 If customers need help or assistance with language or have sensory communication difficulties we can provide an interpretation service or supply information in different formats, such as audiotape, CD or large print.

These are available by:

- by emailing housingbenefit/liaison@leicester.gov.uk and requesting help;
- by calling our hotline number on (0116) 252 7005 and speaking with an advisor;
- by writing to the Revenues and Benefits Services, Leicester City Council, Wellington House, 22-30 Wellington Street, Leicester LE1 6HL.

For hearing impaired users who have access to a minicom our number is 0116 252 7548.

- 6.5 If customers are housebound, for example because of a disability, we can arrange for an officer to visit to explain the Fair Debt Policy and make an arrangement to pay.

7. Benefits, discounts and exemptions

- 7.1 Leicester City Council will notify debtors in writing of the general availability of means tested benefits. The council will ensure that publicity about benefits, discounts and exemptions is available in all council offices dealing with debt.
- 7.2 If awards of council tax benefit, discounts, exemptions or housing benefit clear any arrears, recovery action will be stopped and in some circumstances costs incurred will be met by the council.
- 7.3 If a debtor is awaiting the outcome of a review or appeal of a relevant council tax support or housing benefit assessment, payment arrangements will be based on the claimant's ability to pay. Further action will, in most cases, be suspended pending the final outcome of such a review or appeal. Similarly, if there is an outstanding appeal against the award of a discount or exemption, payment arrangements will be based on the person's ability to pay.

8. How the policy works in practice.

Step One:

- 8.1 If a debtor is unable to pay their debt they should in the first instance contact the council to discuss their position. If no contact is made by the debtor and no payment arrangement made, court action will be taken. This will mean if the debt is for council tax or business rates the debtor will have to pay additional costs (£65.50 from 1st April 2012).
- 8.2 If contact is made and the customer expresses difficulty in making a payment the officer will discuss payment of the debt by instalments taking into consideration the fair debt policy.
- 8.3 Arrangements – The Council will try to resolve all queries and made an arrangement at first contact. Arrangements will be based on personal circumstances.
- 8.4 Benefit claimants – If the debtor is receiving income support, income based jobseekers' allowance, income based employment support allowance, universal credit or pension credit we will, where possible, deduct payments from that benefit. The minimum repayment figure will be the current statutory deduction figure (£3.55 per week as at April 2012).
- 8.5 Earners and other income – Where a debtor is not in receipt of any of the above benefits, the officer will begin negotiations to recover the debt taking into account the customer's ability to pay and agreeing a repayment between a minimum and maximum level of payment detailed in this policy. The minimum payment acceptable would be the sum that would be paid if court action were taken and someone on benefit, (currently £3.55 per week) and the maximum payment is the amount that could be paid if someone was working and court action taken (currently 17% of net income over £1,040 per month).

Step Two

- 8.6 Where the sum calculated above cannot be paid, the completion of an income and expenditure form will be required. Both current expenditure and debts will be taken into account when calculating

repayments. The income and expenditure form has been devised by the Fair Debt Task Group and has taken into consideration the following good practice examples:

National Debt Line, British Bankers Association, Consumer Credit Council service and Money Advice Trust.

- 8.7 Completion of the form will allow the officer to work with debtors and their representatives to set realistic repayment amounts over a reasonable period of time based on their financial position.
- 8.8 Occasionally it may be necessary to request documentary evidence to confirm particular details. If this is necessary, the debtor will be informed of the particular items to be confirmed, normally within a period of seven days. The debtor should be advised to hand deliver or fax the documents wherever possible or they can be verified via an independent advice agency (if one is being used). Where a debtor is housebound we will arrange for an officer to visit the debtor.
- 8.9 If the evidence is not provided within the timescales stated, the offer of payment may be rejected and further action could be taken without further notice to recover the debt.
- 8.10 The debtor should start paying immediately the arrangement has been made, they should NOT wait until they receive a written confirmation of the payment arrangements.

9. Additional considerations for council tax, business rates and domestic rent

- 9.1 Any payment arrangement applying to previous year debts will require that current year instalments are maintained, i.e. the arrangement will be in addition to, and conditional on, the current year's council tax and current weekly rent being paid.
- 9.2 In the case of council tax or business rates this normally means payment either over fifty two weeks or twelve calendar months (providing there are this number of weeks/months left in the financial year). Having decided the total level of payment to be made, it will be at the council's discretion, unless the debtor instructs otherwise, how the payments are applied.
- 9.3 Any arrangement should always cover all outstanding arrears, including those being collected through either attachment of earnings, where we deduct the monies directly from their pay, or bailiffs. It may not be appropriate to suspend or temporarily stop this recovery action, but any payments already being made will be deducted from the weekly repayment rate when calculating the fair debt collection arrangement.

10. Bailiff s ' ac t ion

- 10.1 All bailiffs appointed by the council will operate within the guidelines of the current code of conduct for bailiffs issued by Leicester City Council. For further details see:

www.leicester.gov.uk/your-council-services/housing/council-tax/what-happens-if-i-dont-pay

- 10.2 Where a payment is not made, the case will be referred to bailiffs for collection and the debtor will have to pay additional costs. Once a bailiff is involved in collecting a debt the cost of recovering the debt mount up and the debtor is responsible for paying these costs. For example:

Bailiff's first visit £24.50

Bailiff's second visit £18.00

Removal van £110 or more

Waiting time – the first hour is free but after that £60 an hour or part thereof.

These costs can be avoided if payment arrangements are maintained

11. Collection and recovery process

11.1 The council will provide a variety of payment methods and maximise access to payment facilities. Our preferred method is Direct Debit.

12. Late or missed payments

- 12.1 The debtor must remember that the date on which instalments are to be paid is the final date on which money should reach the council, so payments posted via the Royal Mail should be sent 2 or 3 days BEFORE the due date.
- 12.2 If, for whatever reason, the debtor is unable to make a payment they should be encouraged to contact the council to discuss the matter further PRIOR to the payment failing to be made. All payment arrangements are closely monitored, if a payment is not made or it is late or missed, further recovery action will be taken and the payment arrangement cancelled.
- 12.3 Should a payment fail to reach us, and the debtor has not been in contact, all arrangements are immediately cancelled and recovery action will be resumed. No reminders will be issued to prompt a further payment.

13. Changes in financial circumstances

- 13.1 Any change in a debtors financial circumstances needs to be notified to the council straight away, as it may alter the amount that needs repaying. This could mean reducing or increasing the amount that is paid back.

14. Customer care

- 14.1 The Council will collect debts in a sympathetic and efficient way.
In its approach to enforcement, the council will take account of the whole financial situation of the debtor.
- 14.2 The council will ensure that people are encouraged to make comments, complaints and suggest improvements on debt collection matters.

Phone us on 0116 252 7000 or 0116 252 7005.

Visit us at one of the customer service centres or at any council office.

Write to us and send your letter to our address at Wellington House, 22-30 Wellington Street, Leicester LE1 6HL.

Email: housingbenefit/liaison@leicester.gov.uk

15. Monitoring quality

- 15.1 The collection team responsible for collecting the debt will monitor payment arrangements made under this policy and this information will be used to review the effectiveness of the policy on an annual basis.

- 15.2 All sections of the council responsible for the collection of debt will be required to implement the Fair Debt Collection Policy and the council will undertake an annual monitoring of its application. In addition, periodic monitoring will be undertaken by independent advice projects and the council's advice services.
- 15.3 The council will actively seek the views of stakeholders/service users of the policy and the task group will use these views to review the Fair Debt Collection Policy. If a debtor wishes to become a member of this task group or comment independently of the survey please write to the council's Revenues and Benefits Services at Wellington House, 22-30 Wellington Street, Leicester LE1 6HL.

Policy Authors:

Caroline Jackson
Head of Revenues & Benefits
Revenues & Benefits

Matthew Mee
Service Development & Improvement Officer
Revenues & Benefits

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