

**EXECUTIVE
COMMITTEE**

18th September 2012

COUNCIL TAX SUPPORT SCHEME

Relevant Portfolio Holder	Councillor Mould, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance & Resources
Wards Affected	All

1. SUMMARY OF PROPOSALS

- 1.1 The report advises members of the proposals for the Localisation of Council Tax Support and the need to undertake consultation prior to implementation from 1st April 2013.

2. RECOMMENDATIONS

The Executive Committee is asked to RESOLVE that

- 1) consultation on a local council tax support scheme and technical reforms to council tax commence with key stakeholders for a minimum 8 week period on the basis set out in the report; and**
- 2) the submission of a further report on council tax support and technical reforms to council tax for Executive consideration following the consultation be noted and that recommendations on this will be made to full Council.**

3. KEY ISSUES

- 3.1. From 2013/14 the Council will only be reimbursed 90% of the cost of granting Council Tax Benefit (CTB). For Redditch this equates to around £650k, based on total CTB expenditure of £6.5 million. If the Council took no action the amount of the shortfall that would fall on Redditch Borough Council would be around £90k which would then have to be met through other savings. The changes to funding mean that billing authorities are required to adopt a new scheme for Council Tax Support by 31st January 2013 to come into operation for 2013/14.
- 3.2. Council tax support will be made available as a discount rather than a benefit and therefore reduce the Council Tax Base. The grant, funding 90% of a forecast level of demand, will be paid to billing and major precepting bodies (County, Police and Fire) to offset reductions in the Council Tax Base. The impact on the respective precepting authorities is shown below.

**EXECUTIVE
COMMITTEE**

18th September 2012

Authority	£'000	%
Redditch Borough Council	90	13.9
Worcestershire County Council	451	69.3
West Mercia Police Authority	77	11.9
H & W Fire and Rescue Authority	32	4.9
Total	650	100.0

- 3.3. The total funding gap across the County is estimated at £3.8m. As Borough and District Councils are the billing Authorities, any scheme implemented by the Borough will generate a level of Council Tax income payable to the other agencies. Given other financial pressures facing councils and other preceptors, there is a need to support the need to minimise the additional funding burden presented by these changes.
- 3.4. As can be seen from the above table the impact of a reduction in Council Tax benefit of 10% is significant and would have a serious financial impact on those currently receiving this benefit. With Government legislation protecting pensioners and the vulnerable members of our community the level of reduction in benefit would impact wholly on those who are of working age and already on low levels of income.
- 3.5. To reduce the impact to the individuals the proposal is to reduce the impact of the reduction in grant through using the Councils discretion in granting Council Tax Exemptions which are currently available and therefore generating increases in Council Tax to offset the cut. The proposals being put forward across the County (with the exception of Wyre Forest District Council) aim to reduce the gap by 50% with a potential review to increase the savings in 2014/15 to reduce the gap further. The County and the other major precepting authorities are aware and have accepted the fact that only 50% of the deficit will be met through these proposals.
- 3.6. To enable the changes in Council Tax Exemptions, the Borough can consider implementing the recent changes to Council Tax Regulations that have been made by the Government. These changes do not form part of the Council Tax Discount Scheme but it is proposed that any additional income generated through these exemptions may be used to offset the reduction in grant. The exemptions where the Council now has some flexibility are:
- **Class A and Class C Exemptions** (temporary, for vacant dwellings) being replaced with discounts of up to 100%, for billing authorities to determine;
 - **Class L Exemptions** will be abolished and mortgagees in possession of empty dwellings will become liable for council tax on them;

**EXECUTIVE
COMMITTEE**

18th September 2012

- Billing authorities will have the power to levy up to full council tax on **second homes** (currently the discount is 10 – 50%);
 - Billing authorities will be allowed to levy an **empty homes premium** over and above full council tax liability in respect of dwellings which have been left empty for, say, two years or more.
- 3.7. Officers from across Worcestershire authorities have been working together to help to mitigate the impact of the changes on residents and agree a framework for a Worcestershire wide scheme by 31 January 2013. Whilst the financial target of half of the financial gap was set as an aspiration, the way in which each District Council may choose to alter their local scheme may be different.
- 3.8. In addition to changes proposed to Council Tax exemptions to mitigate the reduction in grant officers have also been looking at simple changes to the benefits system. This has included capping the benefit at Band D and limiting council tax support for all working age claimants to 90%. Claimants who are of pension age or deemed as vulnerable are to be protected from any changes to the benefits system.
- 3.9. It is proposed that consultation should be undertaken on the proposed changes set out in Appendix 1. The table details the proposed changes together with the potential impact on residents and the additional council tax that could be generated.
- 3.8 It is not proposed to amend the current Class A (12 month) council tax exemptions for uninhabitable properties e.g. following flooding and RSLs that are registered charities will continue to benefit from Class B exemptions from council tax in respect of their empty properties. There would be an impact on the Boroughs' Housing Revenue Account as the Council is not a registered charity

Charges to HRA in respect of the proposals:

50% discount	£27k
60% discount	£21k
Zero discount	£54k
Long Term empty charge 100%	£13k

- 3.9 Similar proposals / consultation processes are being pursued for other Worcestershire billing authorities with the exception of Wyre Forest District Council who are proposing wider changes to council tax benefits / support in 2013/14.
- 3.10 The Council's consultation paper will be available on the website and our taxpayers will be invited to respond in addition officers are considering other ways of reaching our residents to ensure that as many residents as possible can respond to the consultation. We will draw attention to this

**EXECUTIVE
COMMITTEE**

18th September 2012

via media releases etc. In addition, we will also consult directly with all preceptors (including parish councils), Registered Social Landlords operating in our area, CAB and other relevant voluntary sector organisations.

- 3.11 The full Council is required to adopt the new council tax support scheme. A further report will therefore be prepared following the consultation exercise for consideration by the Executive Committee, who will then make recommendations to full Council. Any update on business rates pooling can be included as part of that same report.

Financial Implications

- 3.12 The Council needs to put arrangements in place to meet the funding gap of around £650k imposed through the decision of central government to only reimburse councils for 90% of the expenditure on Council Tax Benefits from April 2013. The impact for Redditch of this gap is currently £90k with the remainder falling on the precepting bodies.
- 3.13. Bad debt provision has not been increased. There is a potential increase in bad debts due to the recovery of the debts but this would be shared across all preceptors and a 5% increase to reflect the gap of £650k is £32k across all agencies.
- 3.14. The Government has granted financial support of £84k to implement a revised scheme which will be utilised to fund software changes and staff training.

Legal Implications

- 3.14 The Council is required to consult the major precepting authorities and other persons as are likely to have an interest in the discount scheme.

Service / Operational Implications

- 3.15. There will need to be changes made to the software to implement these changes. There is also a concern on the impact on the recovery team due to the requirement to recover the debt from individuals who have not previously paid Council Tax/increase in liability. This is currently being addressed through transformation to ensure the system is as streamlined and customer focused as possible.

**EXECUTIVE
COMMITTEE**

18th September 2012

Customer / Equalities and Diversity Implications

- 3.17. Some property owners and benefit claimants will face increased bills. An assessment will be made to ensure the Borough is supporting these residents.

4. RISK MANAGEMENT

There are a number of risks concerning the changes to be implemented in a relatively short timescale. There is a concern as to recovery of debt from residents following the increase in liability for Council Tax. The Council Tax team will monitor this regularly to ensure residents are supported in making payment.

5. APPENDICES

Appendix 1 – Options for Redditch Borough Council

6. BACKGROUND PAPERS

Various consultation documents issued by the DCLG available from the DCLG website.

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REDDITCH BOROUGH COUNCIL

**EXECUTIVE
COMMITTEE**

18th September 2012

OPTIONS FOR REDDITCH BOROUGH COUNCIL

Change	Implications	Impact on residents (data available)	Additional Council Tax	Contribution to RBC gap
Limiting support to Band D Council Tax levels	For working age claimants only – need to consider vulnerable	63 properties effected	£8,000	£1,112
<i>Short Term Empty (up to 6 months) – reduce from current 100% to 60% discount</i>	<i>Apply to all taxpayers who have empty properties.</i>	<i>Currently 333 properties attract short term empty discount</i>	<i>£179,000</i>	<i>£24,881</i>
<i>Short Term Empty (up to 6 months) – reduce from current 100% to 50% discount</i>	<i>Apply to all taxpayers who have empty properties.</i>	<i>Currently 333 properties attract short term empty discount</i>	<i>£224,000</i>	<i>£31,136</i>
<i>Short Term Empty (up to 6 months) – reduce from current 100% to zero discount</i>	<i>Apply to all taxpayers who have empty properties.</i>	<i>Currently 333 properties attract short term empty discount</i>	<i>£447,000</i>	<i>£62,133</i>
Reduce Discount on Second Homes from 50% to zero	Apply to all taxpayers who have second homes	Currently 261 properties attract second homes & long term empty premium	£33,000	£4,600
Reduce Discount on Long Term Empties from 50% to zero	Apply to all taxpayers who have properties that have been empty over 6 months	Currently 261 properties attract second homes & long term empty premium	£185,000	£25,715