

**CABINET**

**5<sup>th</sup> September 2012**

**COUNCIL TAX SUPPORT SCHEME**

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	
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 1<sup>st</sup> April 2013.

**2. RECOMMENDATIONS**

**The Cabinet is asked to RESOLVE**

- **that 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.**
- **notes that a further report on council tax support and technical reforms to council tax be submitted for Cabinet consideration following the consultation 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 Bromsgrove this equates to around £478k, based on total CTB expenditure of £4.8 million. If the Council took no action the amount of the shortfall that would fall on Bromsgrove District Council would be around £61k 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 31<sup>st</sup> 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. The grant, funding 90% of a forecast level of demand, will be paid to billing and major precepting bodies to offset reductions in the Council Tax Base. The impact on the respective precepting authorities is shown below.

<b>Authority</b>	<b>£'000</b>	<b>%</b>
Bromsgrove District Council	61	12.8
Worcestershire County Council	331	69.2
West Mercia Police Authority	57	11.9
H & W Fire and Rescue Authority	23	4.9
Average parish council	6	1.2
<b>Total</b>	<b>478.0</b>	<b>100.0</b>

- 3.3. The total funding gap across the County is estimated at £3.8m. 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. The proposal therefore is to reduce the impact of the reduction in grant through using the Councils discretion in granting Council Tax Exemptions which are currently available. The proposals aim to reduce the gap by 50% with a potential review to deliver further savings in 2014/15.
- 3.4. The Government has, following consultation, made some changes to the Council Tax Regulations. These changes do not form part of the Council Tax Discount Scheme but it is proposed that any savings 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;
  - 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.
- 3.5. 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.
- 3.6. There is a particular complication for districts with parishes as a result of council tax benefits becoming discounts. The Government is proposing

that the grant attributable to town and parish precepts, reflecting the 10% reduction, will be allocated to the relevant billing authority. Billing authorities and town / parish councils will then be expected to work together to managing any issues.

- 3.7. In addition to changes proposed to Council Tax exemptions to mitigate the reduction in grant the HWTA 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 are to be protected from any changes to the benefits system.
- 3.8. It is proposed that consultation should be undertaken on the following:

<b>Change</b>	<b>Implications</b>	<b>Additional council tax</b>
1. Limiting support to Band D Council tax levels	For working age claimants only but need to consider impact on other vulnerable groups	£20,000
2a. Short term (up to 6 months) empty property Class C exemption - reduce from current 100% to 60%	This will apply to all taxpayers. An equality impact assessment will be necessary.	£200,000
2b. Short term (up to 6 months) empty property Class C exemption - reduce from current 100% to 50%	As an alternative to 2a. Council tax is based on 50% property and 50% persons, so there is some logic for this proposal.	£250,000
3. Reduce discount on second homes to nil	Currently second homes qualify for a 10% discount.	£44,000

- 3.9 It is not proposed to amend the current Class A (12 month) council tax exemptions for uninhabitable properties e.g. following flooding and RSL's

will continue to benefit from Class B exemptions from council tax in respect of their empty properties.

- 3.10 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.
- 3.11 The District Council's consultation paper will be available on the Council's website and our taxpayers will be invited to respond. We will draw attention to this 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.
- 3.12 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 Cabinet, 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**

- 3.11 The Council needs to put arrangements in place to meet the funding gap of around £478k 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 Bromsgrove of this gap is currently £61k with the remainder falling on the precepting bodies.

**Legal Implications**

- 3.12 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**

- 3.13. No significant implications, However, software changes may be required for amendments to the benefits system.

**Customer / Equalities and Diversity Implications**

- 3.14. Some property owners will face increased bills.

**4. RISK MANAGEMENT**

There are a number of risks concerning the changes to be implemented in a relatively short timescale.

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**5. APPENDICES**

None.

**6. BACKGROUND PAPERS**

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

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