

# **CABINET**

9th January 2013

## **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 of additional funding made available to lessen the impact of these changes from 1<sup>st</sup> April 2013.

### **2. RECOMMENDATIONS**

#### **The Cabinet is asked to RECOMMEND**

- **That the changes to the exemption scheme as proposed at 3.6 be approved to level Class C discount at 50% (2b)**
- **That the discount on 2<sup>nd</sup> homes is removed as detailed in 3.6 (3)**

#### **The Cabinet is asked to RESOLVE**

- **that the default scheme is agreed as the replacement scheme for Council Tax Benefit from April 2013 and that an application for**
- **notes the financial impacts and the requirement for a more fundamental review of local Council Tax support from 2014/15.**

### **3. KEY ISSUES**

- 3.1. From 2013/14 the Council will have to administer a local replacement for the existing national Council Tax Benefit scheme. Funding for the scheme will be restricted to a grant based on 90% of forecasted subsidised Council Tax expenditure for 2013/14. For Bromsgrove this is estimated to be a reduction of around £478k, based on total CTB expenditure of £4.8 million. For Bromsgrove District Council the shortfall would be around £61k which would have to be met through other savings. However an additional grant can also be claimed if certain criteria are met by the replacement scheme. 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.

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- 3.2. Council Tax support will be made available as a discount rather than a benefit and therefore will 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. Any increase or decrease in expenditure will have to be met locally unless the grant allocation is reviewed.
- 3.3. Although a local scheme, the Government has decided that pensioners must receive the same level of support as now and that other vulnerable groups should also be considered for protection. The schemes should also avoid discouraging local people from taking up employment where possible. However the impact of the changes will fall on working age claims as they will have to contribute more to them collection fund to offset the reduction in funding.
- 3.4. Concurrent with these changes is a reduction in the number of mandatory exemptions offered in Council Tax. Changes to these exemptions will reduce the impact to these individuals by generating increases in Council Tax to offset the grant reduction. The County and the other major precepting authorities have accepted the fact that only 50% of the deficit will be met through these proposals.
- 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 mandatory requirement to undertake a public consultation on the proposed local scheme for Council Tax Support and the Cabinet agreed on the 05/09/2012 the proposals to be consulted on. These were:

<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	This will apply to all taxpayers. An equality impact assessment will be necessary.	£200,000

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from current 100% to 60%		
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

- 3.7 Similar proposals and consultation are being undertaken in the other Worcestershire billing authorities with the exception of Wyre Forest District Council who are proposing wider changes to Council Tax and Council Tax support from 2013/14.
- 3.8 The Council's consultation period ended on the 30/11/2012 and there were only 2 responses
- 3.9 During the consultation period the Department of Communities and Local Government (DCLG) announced that additional funding of £100 million was available for 2013/14 to help mitigate the impact on working age claims. The grant has to be applied for after 31/01/2013 and will only be payable to authorities that implement local schemes that meet certain criteria.
- 3.10 The criteria are:
- Working age claims that are currently entitled to 100% support under the Council Tax Benefit pay no more than 8.5% of their net Council Tax liability.
- The taper rate does not exceed 25%
- There is no sharp reduction in support for those entering work.
- 3.11 If Bromsgrove District Council meets the above criteria a grant of £16,113 can be claimed, with additional grant, as below, available for the precepting authorities.

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BDC	Worcestershire County Council	West Mercia Police Authority	Hereford and Worcester Fire and Rescue Service
£16,113	£79,290	£13,638	£5,619

- 3.12 It is understood that the current proposals to restrict Council Tax support to Band D will not meet the criteria and therefore the extra grant could not be claimed. Therefore the Council needs to support an alternative approach to secure the funding available.

### Financial Implications

- 3.13. The Council needs to decide to either reduce the funding gap by way of the proposals consulted on or to adopt the default scheme to qualify for the additional grant. A new scheme could also be designed to meet the criteria to qualify for the additional grant, however it is likely that a separate consultation will be required.
- 3.14 The impact for Bromsgrove and the collection fund as a whole is shown below.

Implementing original proposals ( BAND D Limit)	Financial impact for Collection fund (£000)	Financial impact on BDC (£000)
Estimated cost of Government cut to funding	478	61
<b>LESS</b>		
Council Tax exemption changes (based on 50% Class C and 0% for second homes)	294	38
Restriction of support to Band D	20	3
<b>Total financial impact based on consultation changes</b>	<b>164</b>	<b>21</b>

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Additional Grant	115	16
<b>Total financial impact with extra grant but no Band D restriction</b>	<b>69</b>	<b>7</b>

3.15. 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 £478k is £24k across all agencies.

3.16 The Government has granted financial support of £84k to implement revised schemes which will be utilised to fund software changes and staff training.

**Legal Implications**

3.17 The Council is required to have a new scheme in place before the 31/01/2013 or the Government designed default scheme is applied.

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- 3.18 The powers under which the council will decide a scheme for council tax discounts are in section 13A of the Local Government Finance Act 1992 as substituted by section 10 of the Local Government Finance Act 2012. Section 10(4) requires a scheme to be adopted by 31 January 2013. Section 11 provides a power for councils to decide the discount for second homes, while section 12 inserts section 11B into the 1992 Act which allows councils to set a council tax of up to 150% for long term empty properties.
- 3.19 Schedule 4 to the 2012 Act inserts Schedule 1A in the 1992 Act. Among other things, this requires the Council to consult major precepting authorities and such other persons as are likely to have an interest in the scheme. Paragraph 3(2) of Schedule 1A provides that the fact that the requirement was not in force when councils undertake consultation is to be disregarded in determining whether there has been compliance with the requirement.
- 3.20 In reaching final decisions on the scheme, the Council will have to have regard to its duties under the Equality Act 2010. The Council will also have to have regard to any legislation issued by the Secretary of State as a consequence of the Local Government Finance Act as it may constrain the options that are available; and consideration will need to be given to other relevant legal requirements, such as the duty to co-operate in reducing child poverty in accordance with section 21 of the Child Poverty Act 2010.

### **Service / Operational Implications**

- 3.21. There will need to be changes made to the software to implement these changes. As the additional grant is only for 2013/14 a new scheme will be required to address the deficit caused by the restriction of the grant to 90%.

### **Customer / Equalities and Diversity Implications**

- 3.22 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. 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**

None.

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**6. BACKGROUND PAPERS**

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

**AUTHORS OF REPORT**

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