

<b>TITLE</b>	<b>Council Tax Reduction Scheme</b>
<b>FOR CONSIDERATION BY</b>	Special Council Executive Committee on 30 January 2014.
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers, Director Finance and Resources

#### **OUTCOME / BENEFITS TO THE COMMUNITY**

The adoption of a Localised Council Tax Reduction (CTR) scheme will ensure that all working age borough residents who may experience financial difficulties in paying their council tax liabilities have access to a scheme of assistance, designed locally, offering financial help to them

#### **RECOMMENDATION**

That the Council approve the following:

- 1) that a local CTR scheme for 2014 /15 is adopted on the same basis as the 2013/14 adopted scheme without change to the general entitlement criteria;
- 2) that all applicable amounts, premiums, allowances, disregards and deductions used in the calculation of entitlements are uprated in line with the same increases applied to the Government set Prescribed and Default CTR schemes;
- 3) that the full disregard currently allowed for War Widows and War Disability Pensions is continued from 1 April 2014 in respect of the Prescribed and Local council tax reduction and housing benefit schemes;
- 4) that £10,000 be allocated to the hardship fund for those who cannot pay their council tax liabilities. This sum will be funded from the additional tax liabilities collected from the changes to empty property charges that are now levied;
- 5) that the relief allowed to general empty properties (former class C) liable for council tax be changed to 100% relief for 28 days only.

#### **SUMMARY OF REPORT**

As part of the 2010 Spending Review, the Government announced plans to localise council tax benefit. From 1 April 2013, local authorities have had the responsibility for designing and administering their own local schemes, known as 'council tax reduction' (CTR). These local schemes apply to all working age claimants. Pensioners are protected from this change with their entitlement to CTR worked out in accordance with a Prescribed CTR scheme set by Government. There is also a requirement to operate a "Hardship Scheme" for those who cannot pay their tax liabilities.

Funding for the new scheme now takes the form of an annual grant instead of the variable subsidy that generally used to cover 100% of expenditure under the former

national council tax benefit schemes. This funding reduced Government support by an average of 10%. For Wokingham, this meant an effective funding reduction of 11% equating to approximately £600,000 on its introduction.

An Officer/Member working group was set up in 2012 to design a suitable scheme in response to these changes which was broadly cost neutral for the Council and all precepting partners, whilst protecting vulnerable groups and minimising the overall impact on borough residents. Detailed proposals were developed which looked to cover around 20% of the potential loss of grant by making changes to existing council tax benefit scheme rules and around 80% of the loss by making technical changes to council tax discounts for empty properties as allowed under new localisation powers.

After the required statutory consultation process, a formal scheme was submitted to a Special Council Executive Committee meeting held on 31<sup>st</sup> January 2013 and approved. It is now necessary to consider details of our 2014/15 local CTR scheme. The remainder of this report details the recommendations made and the reasons for these. The 2014/15 CTR Scheme proposed is on the same basis as the 2013/14 adopted scheme.

## **Background**

The 2010 Spending Review signalled the Government's intention to localise Council Tax Support and stated that the expenditure budget would be reduced by 10% (11% for Wokingham) and would change from a subsidy based on actual expenditure to a grant. The Welfare Reform Act 2012 contained provisions for the abolition of Council Tax Benefit and the Local Government Finance Act 2012 made further provision for the localisation of council tax support, known as 'council tax reductions' (CTR), in England by imposing a duty on all billing authorities to introduce a localised CTR Scheme by 31<sup>st</sup> January each year. If a localised scheme is not agreed by then, the Council will be obliged to use the Government's own default national scheme in the following financial year.

The Government no longer provides 100% funding for council tax support but instead provides a fixed annual grant to billing and major precepting authorities. In Wokingham the estimated funding gap for 2013/14 arising from this change was approximately £600,000. Failure to adopt a local scheme by the due date each year would mean having to operate the Default Scheme. On that basis, use of the Default Scheme would not provide for any possible savings in CTR expenditure meaning the Council would have to bear the full brunt of the reduced funding imposed by DCLG.

The Government have determined that certain groups may be fully protected from this change. Alongside a potential Default Scheme, Government have therefore set out a Prescribed Scheme to be used for those claimants that Government decide shall be protected. At the current time, this protection applies to claims received from pensioners. All other claims received are calculated in accordance with the adopted local CTR scheme.

Within the Borough there were around 5,100 households that received council tax benefit support to help pay their council tax.

## **Analysis of Issues**

A range of proposals to achieve the required savings were created and a full consultation exercise undertaken in late summer of 2012 on them. As a result a local scheme was approved by Special Council Executive in January 2013 which was based upon the terms and conditions of the Government Default Scheme with the following specific changes:

- 1) That the provision for awarding back-dated awards prior to the claim date was removed;
- 2) That the provision for allowing extended payments for a claimant moving from out of work benefits to work was removed;
- 3) That the provisions for awarding 2<sup>nd</sup> Adult Rebate was removed;
- 4) That the provisions for allowing increased disregards of the income received from Boarders was removed;
- 5) That the minimum level of support available was set at £3.00 per week;
- 6) That the rate at which benefit is withdrawn as income exceeds assessed need was set at 25%;
- 7) That the level of earnings that is disregarded be increased and set at £10 for a single person and £20 for a couple.

At the same time, under new powers granted by Government, the Council took the opportunity to review and alter various discount rates allowable for empty properties.

These changes were:

- 1) That the 10% discount awarded for 2<sup>nd</sup> homes was abolished;
- 2) That the discount awarded for empty and unfurnished property was restricted to 100% for 1 month followed by 50% for a further month;
- 3) That a 50% premium was added to council tax charged for properties that remain empty and unfurnished for 2 years or more;
- 4) That the discount awarded for empty property undergoing renovation or structural repairs was restricted to 50% for a 12 month period.

In combination these changes were estimated to produce combined savings or additional tax income of approximately £600,000 (after providing for the Hardship Fund below).

### CTR changes

The full year impact of the local scheme implemented on 1<sup>st</sup> April 2013 will not be known until the end of March 2014. A comprehensive review of the impact will be taken in the 1<sup>st</sup> quarter of 2014/15 to inform the local scheme for 2015/16. There have not been any issues raised to date that would indicate that the 2013/14 scheme is in need of urgent revision. The annual uprating of the individual means tested benefits would still apply.

### Council Tax

A refinement is proposed to be made to empty property discounts, specifically for properties that are empty and unoccupied – formally known as Class C. This discount was revised for 2013/14 to 100% for 1 month followed by 50% for 1 month. It is now proposed to tighten this discount further and reduce it to a 100% discount for 28 days only from April 2014. Thereafter properties will be subject to the full charge. This will still mean that around 85% of properties that fall in to this category remain free from council tax for the period that they are empty. The change is expected to raise approximately £85k in additional tax charges for 2014/15.

### Hardship Fund

The Council remains aware that a complex relief scheme such as localised council tax reduction may exclude some claimants who, in the short term at least, are unable to improve their financial circumstances. This may present them with difficulties in paying council tax liabilities. In this respect, Government changes for council tax support include the provision for further discretionary reductions to be made under Section 13A(l)(c) of the Local Government Finance Act 1992 as substituted by the Local Government Finance Bill 2012.

In 2013/14 a hardship fund scheme with a value of £20k was created. A formal scheme was developed and approved in line with previous decisions taken. This has been published on the Council's website and its existence is drawn to the attention of council tax payers in need. Expenditure for the full year is likely to be considerably less than £20k and £10k is expected to be sufficient in 2014/15. Each claim approved so far has

received an average award of around £550.

#### FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.*

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil	Yes	Revenue
Next Financial Year (Year 2)	(£75k)	Yes	Revenue
Following Financial Year (Year 3)	(£75k)	Yes	Revenue

#### Other financial information relevant to the Recommendation/Decision

None

#### Cross-Council Implications

The changes to council tax reduction and empty property council tax charges will affect the whole council area and borough residents.

None of the proposed changes should have a direct impact that would see applicants requesting additional council services.

However the changes to empty property charges will affect council property that remains empty. This would impact on Property Services and council owned housing. Officers from Finance will work with colleagues in those Departments to help minimise the impact of any additional council tax charges as a result of the changes wherever possible.

#### List of Background Papers

Various DCLG and DWP documents & consultation papers;  
CTR and associated Council Tax Legislation;  
Previous Consultation feedback;  
Modelling calculations of various proposals for change considered in developing the submitted scheme;

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<b>Date</b> 14 January 2014	<b>Version No.</b> 4