

17 OCTOBER 2017

REPORT NO. FIN1730

**COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS
CONSULTATION ARRANGEMENTS**

SUMMARY AND RECOMMENDATIONS:

The Council is required to carry out a public consultation exercise on any proposed changes to its local Council Tax Support Scheme (CTSS), ahead of the deadline of 31st January for setting the scheme. This report sets out proposals for inclusion in that consultation.

The report also provides options for change to certain locally set Council Tax discounts and exemptions, which would also require public consultation and could run alongside the CTSS exercise.

A report on the outcome of the consultation exercises will be presented to Cabinet during January 2018, following which, recommendations for final scheme proposals will be made to Council.

In respect of the Council Tax Support Scheme:
Cabinet are recommended to:

- i. Endorse the recommendation from the Welfare Reform Group that a consultation be undertaken in respect of the harmonisation elements set out in the report
- ii. Consider and approve which, if any, options on changes to the minimum contribution payable should be included in the consultation
- iii. Endorse that the detail of the consultation paper be agreed by the Head of Financial Services in consultation with the Portfolio Holder for Concessions and Community Support ,following discussion with the Welfare Reform Group

In respect of Council Tax Discounts and Exemptions:
Cabinet are recommended to:

- iv. Agree that a public consultation be undertaken on options around the level of Council Tax Discounts as set out in this report
- v. Endorse that the detail of the consultation paper be agreed by the Head of Financial Services in consultation with the Portfolio Holder for Concessions and Community Support

1. INTRODUCTION

- 1.1 The purpose of this report is to seek Cabinet approval to undertake a public consultation in respect of the Council's Council Tax Support Scheme (CTSS),

in order to inform any decision to review or amend the Scheme for the 2018/19 financial year.

- 1.2 This report also seeks Cabinet approval to undertake a public consultation to vary the amount of Council Tax Discount awarded for certain empty dwellings.

COUNCIL TAX SUPPORT SCHEME

2. BACKGROUND

- 2.1 Since 1st April 2013, local authorities have been developing their own CTSS to replace the previous national Council Tax Benefit Regulations, which had supported residents with their Council Tax costs.
- 2.2 Whilst local authorities have the freedom to set their own local schemes, based on local circumstances and needs, local authorities are required to provide pensioners with the same level of support received under the previous national Council Tax Benefit arrangements.
- 2.3 Accordingly, most local authorities have devised hybrid schemes, whereby those of pensionable age receive up to 100% of their Council Tax bill in support, whilst the maximum level of support for working age customers is typically lower and a range of other local adjustments have been made.
- 2.4 The Council is in the fourth year of operating its local scheme, which has been overseen by the cross-party Member Welfare Reform Group.
- 2.5 The main elements of the scheme for working age customers are as follows:
- ☐ Minimum contribution of 10%
 - ☐ Savings threshold of £6k
 - ☐ Maximum support restricted to a Band D level for Bands E and above
 - ☐ Treating Child Benefit and Maintenance as income
 - ☐ Disregarding War Widow Pensions as income
 - ☐ Harmonisation with other benefits e.g. Backdating, Temporary absence, Family Premium
- 2.6 This local scheme has proved effective and the Council Tax collection rates remain high, increasing in 2016/17 to 98.1% from 97.9%. Those in receipt of Council Tax Support (CTS) are generally meeting their Council Tax liabilities; however, the collection rate for the CTS group is lower than for all Council Tax payers across the whole of the Borough. Current year payment rates for those of working age in receipt of CTS are running at around 85.1%, which

compares favourably with a DCLG study, which shows rates on average of between 65 – 75% across the board nationally for this group of people.

3. OPTIONS FOR CHANGE

3.1 The Welfare Reform Group has given considerable thought to the data and evidence presented to them at their meetings over the past year. The Group has always been keen to maintain a principle of harmonising the Council's local CTSS with national government changes to the wider Housing Benefit scheme. The Group has recommended in past years a series of adjustments to the CTSS as a result of this guiding principle. This year, the Group again is unanimous in its recommendation to Cabinet that the Council should consult on two harmonisation changes to be effective from 1st April 2018. These are:

- a) That the new Bereavement Support Payment is disregarded as income within the Council's CTSS
- b) That a two dependent children rule as operated for Housing Benefit and Universal Credit purposes, is also applied within the Council's CTSS

3.2 As regards the principle of a minimum contribution to be paid towards Council Tax for CTS recipients who are of working age, the Group are divided in opinion. This divergence in opinion is set out in the following two options:

a) To consult on a range of increases to the minimum contribution payable (from the current 10%) to 12%, 15%, 18%, 20% and 25%

This option for consultation is supported by a majority of the Group and is based on the rationale that the Council's current scheme is stable, collection rates are good and the current minimum contribution of 10% is at the lower end of similar Councils' schemes within our Audit grouping. Furthermore, those supporting this approach to consultation regard this as a consultation to become better informed and do not regard the decision to consult about an increase as indicative of the increase becoming an inevitability.

b) To not undertake a consultation regarding any alterations to minimum contribution payable at this time

This option is supported by a minority of the Group and is based on the rationale that current economic conditions are challenging. In particular, a number of national reports have recently highlighted the scale of consumer debt currently being experienced nationally and locally.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications for carrying out the consultation exercise, which will be managed within existing resources and budgets.
- 4.2 If, following consultation, an increase to the minimum contribution for Working Age CTS recipients is recommended to, and adopted by, Council this will reduce the cost of the Scheme. Savings will accrue to all preceptors (Rushmoor Borough Council, Hampshire County Council, Police and Crime Commissioner and the Fire and Rescue Authority) in proportion to the share of Council Tax that they receive. Changes to the scheme will of course also have a financial effect on individual claimants.
- 4.3 The table below provides indicative data, which will be included in the consultation if Cabinet choose to consult on any of these options.

% Contribution	Total Savings	RBC (13%)	HCC (72%)	Police (11%)	Fire (4%)
12	£52,781	£6,861	£38,002	£5,805	£2,111
15	£130,460	£16,959	£93,931	£14,350	£5,218
18	£207,878	£27,024	£149,672	£22,866	£8,315
20	£259,343	£33,714	£186,726	£28,527	£10,373
25	£387,391	£50,360	£278,921	£42,613	£15,495

Indicative annual bill for a Band C property using 2017/18 Council Tax level						
	10%	12%	15%	18%	20%	25%
Couple	138.24	165.88	207.35	248.82	276.47	345.59
Single	103.68	124.41	155.51	186.62	207.35	259.19

5. CONCLUSIONS

- 5.1 The Council reviews the operation and content of its CTSS on an annual basis and is required to consult on any proposed changes before setting the scheme. This consultation allows us to gather resident's views to inform any recommendations for change.
- 5.2 Harmonising the scheme for changes to other welfare benefits, including Housing Benefit, streamlines the administration of the scheme and is easier to understand for customers.
- 5.3 The effectiveness of the Scheme continues to be closely monitored by Members and will be reviewed and amended as appropriate on an annual basis.

COUNCIL TAX DISCOUNTS AND EXEMPTIONS

6. BACKGROUND

- 6.1 The Local Government Finance Act 2012 (LGFA 2012) removed Council Tax Exemption Class A (Property that requires major repair work) and Exemption Class C (Unoccupied and Unfurnished), and instead gave billing authorities discretion to award discounts of between 0 and 100 per cent.
- 6.2 The Act also enabled billing authorities to remove the previously statutory minimum 10% discount for second homes (not job related) and to set a premium charge for long-term empty dwellings.
- 6.3 The Council used its discretion to change the Council Tax Discounts and Exemptions available to residents from 1st April 2013 and ran the initial consultation exercise alongside consultation on the new localised CTSS.
- 6.4 Key considerations in choosing the discounts to apply from 1st April 2013, were:
- Allowing sufficient flexibility within the Council Tax regime for small and large scale landlords to manage short term voids without having to pick up short-term costs whilst preparing accommodation for new tenants and the associated administration that this would require
 - To encourage empty homes back in to use by applying a premium to those that have stood empty for more than two years
 - To reduce the period of discount for homes undergoing major repair work to encourage those works to be conducted in a timely manner, thereby bringing the property back in to use sooner
 - Balancing the potentially beneficial behavioural consequences of discounts and exemptions against the cost to the general taxpayer of awarding such reliefs
- 6.5 The table below shows the Council Tax discounts and exemptions available before and after the changes in April 2013:

Council Tax Discounts & Exemptions	Prior to April 2013	Introduced from 1st April 2013
Second Homes (including properties that are unoccupied but furnished)	10% discount	Remove discount

Properties undergoing major repair work or structural alteration	Exempt payment of Council Tax for 12 months and then 50% of the Council Tax is payable.	50% discount for 12 months
Properties that are and unoccupied unfurnished	Exempt payment of Council Tax for 6 months and then 50% of the Council Tax is payable	Exempt for 3 months
Empty Homes Premium	Not Applicable	50% premium added to Council Tax Bills where a property has been unoccupied and unfurnished for two years or more

7. OPTIONS FOR CHANGE

- 7.1 Point 8 of the Council's 8-point plan for achieving financial sustainability is Effective Taxation Policies. This work stream includes on-going review of policies such as rent and rate reliefs, Council Tax Support Scheme and Council Tax discounts and exemptions to ensure policies are effective in their operation: balancing support to local residents, businesses and community or voluntary organisations with the funding needs of the Council to support the provision of services.
- 7.2 As part of this review, the Cabinet are asked to consider a number of options for change to some of these locally set Council Tax discounts for inclusion in a consultation document that could run alongside the CTSS exercise.
- 7.3 The consultation will include options for change to discounts for properties undergoing major repair or structural alteration and for properties that are unoccupied and unfurnished only, leaving the Empty Homes premium as it is and not providing any discount for second homes¹.

¹ In England, there are some special cases where local authorities have no discretion and the second home discount must be set at 50%. These are where:

- the second home is owned by someone who cannot live there because they have to live elsewhere in England, Wales or Scotland because of their job or their partner's job
- the second home is a pitch with a caravan on it or a mooring occupied by a boat.

- 7.4 The Empty Homes Premium is intended to encourage action to bring long-term empty properties back into use. This has a number of benefits to the Council such as adding to the local housing stock and avoiding the property becoming an environmental nuisance or the target for anti-social behaviour and neighbour complaints. In addition, while the premium brings in additional income to the Council, once a long-term empty property is returned to use it triggers payment under the New Homes Bonus Scheme.
- 7.5 The council is currently charging the maximum premium permissible under LGFA 2012.
- 7.6 The following tables set out the proposed options for inclusion in a consultation exercise. The tables include the potential financial implications of each option on both the Council and the other Council Tax preceptors (County Council, Police and Crime Commissioner, Fire and Rescue Authority).
- 7.7 Unoccupied and Unfurnished

Options	Level of discount	Annual value of discount*	Average Saving per year (all preceptors)	Average Saving to RBC per year (12.8%)
Option 1- no change	100% discount for three months	£344,161	NIL	NIL
Option 2	100% Discount for two months	£229,440	£114,721	£14,684
Option 3	100% Discount for one month	£114,720	£229,441	£29,368
Option 4	No Discount	NIL	£344,161	£44,053

*Based on averages for awards in the four years 2013/14 to 2016/17

- 7.8 Rationale for inclusion of these options in the consultation:
- Offering a discount for empty properties for a limited period reduces the administrative and cost burden on landlords who would otherwise have to pick up Council Tax costs when a property is empty between tenancies
 - Options 1 to 3 provide for varying periods for the discount and Options 2 and 3 result in modest savings to the Council with more significant savings accruing to the Council Tax preceptors as a whole
 - Option 4 removes the discount altogether which means that there would be no incentive to inform the Council when a property becomes empty. This means that the Council would have no way of tracking the length of

time a property stands empty, and could miss out on premium charges once the property has been empty for two years or more. In addition, if the premium charge were not applied after the relevant period, there is a reduced incentive for the homeowner to bring the property back into use. Empty properties have a negative impact on the Borough, reducing the available housing stock and sometimes becoming an environmental nuisance and source of neighbour complaints. This option does provide additional savings but would cause additional administrative and cost burden on local landlords.

7.9 Major repair work and structural alterations

Recommendations	Current Position	Annual value of discount*	Average Saving per year	Average Saving to RBC per year
Option 1- no change	50% Discount for 12 months	£30,178	NIL	NIL
Option 2	50% Discount for 6 months	£15,089	£15,089	£1,931
Option 3	40% Discount for 12 months	£27,160	£3,018	£386
Option 4	100% discount for 1 month	£5,030	£25,148	£3,219
Option 5	No Discount	NIL	£30,178	£3,863

7.10 Rationale for inclusion of these options in the consultation:

- Discourage derelict properties by reducing the amount of discount they are entitled to
- Derelict properties as well as serving no useful housing purpose often attract a disproportionate amount of public resources. Sometimes becoming an environmental nuisance or the target for anti-social behaviour and neighbour complaints.
- Options 2 to 4 vary the time period and/or the percentage of discount awarded, realising small savings to the Council and modest savings to the preceptors as a whole. They still reflect a concession for the taxpayer while the property is undergoing the work and during which time it may not be drawing as heavily on Council resources as an occupied property.

- Option 5 removes the discount altogether which again removes the incentive to advise the Council when a property becomes vacant, which will make it difficult to charge a premium rate after the appropriate time or claim New Homes Bonus for bringing a long-term property back into use
- Allowing a discount for properties undergoing major repair could provide an incentive to refurbish properties
- Restricting the discount to a limited period could encourage works to be carried out in a timely manner, and would potentially benefit the neighbourhood scene

8. CONCLUSIONS

- 8.1 The Council should periodically review its taxation policies to ensure they are effective. It is timely to review the level of Council Tax discounts referred to in the report and take the opportunity to consult on any changes alongside the consultation exercise on the CTSS.

BACKGROUND DOCUMENTS:

2013 – Consultation on important changes to Council Tax Benefit and discounts draft report – Customer Services
Local Government Finance Act 2012

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