

Report of	Meeting	Date
Chief Executive	Special Council	25 February 2014

## REVIEW OF THE COUNCIL TAX SUPPORT SCHEME AND DISCOUNTS AND EXEMPTIONS

### PURPOSE OF REPORT

1. To present a review of the first year of the council tax support scheme and the discounts and exemptions for empty properties, which were implemented in April 2013; and to make proposals for 2014/15.

### RECOMMENDATION(S)

2. That the proposed council tax support scheme and discounts and exemptions for empty properties and second homes be approved.

### EXECUTIVE SUMMARY OF REPORT

3. The council adopted a new council tax support scheme and changes to discounts and exemptions for council tax in January 2013. These changes came into effect on 1 April 2013. The effects of the changes have been reviewed and are presented in this report alongside with a recommendation for the approach for 2014/15.
4. Collection rates for council tax from council tax support recipients and those affected by the changes to discounts and exemptions have been better than modelled. The number of claims for council tax support has decreased during the financial year, and the number of long term empty properties has decreased.
5. It is recommended that the council tax support scheme and the discounts and exemptions for empty properties should continue unchanged. The schemes have been in operation for less than one year, and the review set out in this report outlines that the changes have been successfully implemented and the overall impact on individuals is difficult to fully estimate at this point, particularly with other changes being made nationally through welfare reforms.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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<b>Key Decision?</b> Please bold as appropriate	Yes	No
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<b>Reason</b> Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more

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## REASONS FOR RECOMMENDATION(S)

### (If the recommendations are accepted)

- The council is required to adopt a scheme for council tax support and discounts and exemptions for empty properties. In adopting the scheme last year, the council agreed to review the scheme after the first year and make any necessary changes.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- To not make change the schemes. This was rejected as the schemes are currently operating successfully and have only been in place since April 2013.

## CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	✓

## BACKGROUND

- The Local Government Finance Act 2012 required local authorities to design and implement a local scheme to administer council tax support to replace the previous system of Council Tax Benefit from 1 April 2013. At the same time, billing authorities were given greater discretion over the reliefs from council tax available for second homes and some empty properties.
- In the spending review 2010, the government announced that the grant used to fund council tax support would be reduced by 10%. The government also set that people who are older than pensionable age could not be adversely affected by the new localised scheme and that the scheme should have regard to the council's existing duties such as the equality duty.
- The funding arrangements for council tax support were different to those of the previous Council Tax Benefit scheme. Previously, the benefit was awarded according to the number of claims made throughout the year and then the council claimed subsidy from DWP for the amount of expenditure. Council Tax Support funding is allocated as a fixed amount by the Department for Communities and Local Government (DCLG) in the Local Government Finance Settlement. The funding receivable by Chorley Council for 2013/14 was £0.753 million, but from 2014/15 onwards Council Tax Support funding is no longer identifiable as a separate allocation, as it is within the revenue support grant.
- Last year, the council agreed a new council tax support scheme and changes to the discounts and exemptions given to empty properties which would meet the need to identify savings to cover the estimated shortfall in funding. The additional savings required came from reducing the maximum amount of council tax support by 7.5% for working aged claimants and from reducing discounts and exemptions that applied to second homes and certain types of empty properties.
- After a large consultation exercise from October to December 2012, a localised council tax support scheme and changes to discounts and exemptions for empty properties and second homes were approved by full council. This was implemented 1 April 2013.

14. Since April, all working aged tax payers have at least 7.5% of their council tax liability to pay. Chorley's scheme for 2013/14 is calculated the same way as the previous Council Tax Benefit scheme, which means that higher levels of support are awarded for households with disabilities, carer needs and families with children with the only change being that the final benefit award is cut by 7.5% for all claimants of working age.
15. At the same time, changes were introduced to the discounts and exemptions from council tax. These are summarised in the table below:

Class	Pre- April discount	Arrangements since April
Class A: a vacant property which requires, is undergoing, or has recently undergone major repair work to make it habitable, or structural alteration	100% for 12 months	50% for twelve months
Class C: Empty, unoccupied and unfurnished property	100% for 6 months	<ul style="list-style-type: none"> <li>• 50% for 0-6 months</li> <li>• 25% for 6-24 months</li> <li>• Full charge + 25% from 24 months</li> </ul>
Second homes: homes that empty but furnished and the owner has their main home elsewhere	50%	No discount

16. It was agreed that the council tax support scheme and changes to discounts and exemptions would be reviewed part way through the financial year to determine whether changes needed to be made for future years.

## REVIEW OF THE COUNCIL TAX SUPPORT SCHEME

17. A review of the council tax support scheme which has been in operation since the beginning of April has been undertaken in terms of the number of claimants, the expenditure on the scheme and the amount of council tax that has been collected.

### Current caseload and expenditure

18. The table below shows council tax support expenditure and caseload numbers for the four main claimant group types as at 7 Oct 2013. The expenditure figure is the amount of council tax support awarded. The 'count' is the number of recipients.

Group description	Count	Expenditure
Elderly – Non-passported	1,324	£901,462
Elderly – Passported	2,374	£2,146,056
Working age – Non-passported	1,502	£916,232
Working age – Passported	2,712	£2,132,607
<b>Total</b>	<b>7,912</b>	<b>£6,096,358</b>

### **NB:**

Passported means those receiving Income Support, Jobseekers Allowance, Employment Support Allowance (Income Based). This group are households who are living below their needs level. Their needs level has been set for this group by DWP according to their household needs (for example needs for children, disabilities, carer needs).

Non-Passported means those who still qualify for help towards their Council Tax costs but who may have low income or receive other 'non-passported' benefits such as Jobseekers Allowance (Contribution based) or Employment Support Allowance (Contribution based). This group have low income but do not automatically receive maximum council tax support. This group would include those actively seeking work.

### Change in demand and expenditure

19. As illustrated in the table below, council tax support caseload has reduced during the first half of 2013/14:

Caseload	April 13	Oct 13
Elderly – Non-passported	1,324	1,324
Elderly – Passported	2,440	2,374
Working age – Non-passported	1,580	1,498
Working age – Passported	2,775	2,736
<b>Total</b>	<b>8,139</b>	<b>7,932</b>

20. The expenditure for council tax support has also reduced:

Expenditure	April 13	Oct 13
Elderly – Non-passported	£902,098	£901,397
Elderly – Passported	£2,202,731	£2,169,180
Working age – Non-passported	£956,212	£926,714
Working age – Passported	£2,177,221	£2,159,969
<b>Total</b>	<b>£6,238,264</b>	<b>£6,157,261</b>

21. The largest decrease in caseload has been from the working age non-passported claimant group.

### Collection rates

22. The modelling undertaken during the development of the council support scheme estimated the collection rate for council tax due from the working age passported group would be 50%. This is the group that would previously have had received the maximum council tax benefit and so were not liable to pay council tax. Since April, under the new support scheme, they have been liable for 7.5% of their council tax. At the end of November, 40.8% of the council tax from that group has been collected, exceeding the estimates from the modelling.
23. In addition, monitoring has been undertaken of the collection rate for all council tax support claimants. This includes claimants who receive the maximum council tax support. The collection rate for all claimants at the end of November is 62.6%, compared to 75.77% for all tax payers.

### Summons

24. Although the collection rate for council tax support has been better than estimated, there has been an increased volume of summonses issued for non-payment. There have been more summonses issued in the period to December than in the whole of 2012/13.

Total summonses issued April-December 2012/13	Total summonses issued April – December 2013/14	Total summonses issued 2012/13
2,423	3,400	3,255

25. 1,748 of the summonses issued during 2013/14 relate to people who have received council tax support. Of these, some pay the principle debt before the court hearing and so the summons are cancelled. For claimants who receive certain benefits, an attachment can be placed on those payments (of £3.60 per week) to recover the debt. 515 attachments of benefits have been made in this financial year.
26. No formal complaints have been received about the changes made to council tax support.

## REVIEW OF DISCOUNTS AND EXEMPTIONS

### Current numbers

27. The number of tax payers affected as at December 2013 by the changes to discounts and exemptions is set out in the table below:

Property type	Number affected
Class A changes (empty and undergoing major repair work) 100% charge	66
Class C changes (properties empty and unfurnished from 0-6 months) 50% charge	528
Class C changes (properties empty and unfurnished from 6-24 months) 75% charge	347
Class C changes (properties empty and unfurnished over 24 months) 125% charge	201
Second Homes (empty but furnished) 100% charge	154

28. One of the stated aims of the changes made to discounts and exemptions was to reduce the number of long term empty properties in the borough. There has been a significant reduction in properties that have been empty for more than two years; from 287 in March to 201 in December.

### Collection rates

29. The estimated collection rate used for modelling purposes during the development of the scheme for properties affected by the changes to discounts and exemptions was 80%.
30. The collection rate at the end of November was 63.8%, which should lead to a collection rate higher than 80% by the end of the financial year.

### Issues and complaints

31. Five formal complaints have been received during the year relating to the changes made to the discounts and exemptions for empty properties. Two of these related to the consultation on the changes, two were received from landlords about empty properties and the final one related to financial hardship that the change would cause. None of the complaints progressed beyond stage one in the complaints process.

## PROPOSALS FOR 2014/15

32. It is proposed that the council tax support scheme remains the same for 2014/15 as has been in operation for 2013/14. This uses the same calculations as the council tax benefit scheme, with a 7.5% reduction in support for working age claimants.
33. The discounts and exemptions for empty properties and second homes will also remain unchanged for 2014/15.
34. Given both elements of the scheme have been implemented successfully, and do not appear to have caused widespread issues with affected groups, the continuation of the schemes will allow some consistency over time and will enable the council to monitor and review the impact of the scheme once it has been in place for a full financial year.

## IMPLICATIONS OF REPORT

35. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources	✓	Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

## COMMENTS OF THE STATUTORY FINANCE OFFICER

36. In December 2013 the National Audit Office (NAO) published its report on the implementation of Council Tax Support by DCLG and local authorities. Within that report is a recommendation that DCLG should consider continuing to compensate local authorities for the cost of administering Council Tax Support schemes. This council receive £84,000 in 2012/13 towards the cost of implementing the scheme, and £58,978 “new burden” funding in 2013/14. At present, it is assumed that a similar figure would be receivable in 2014/15, but not subsequent financial years.
37. Also in 2013/14, this council qualified for a transitional grant of £19,890, which is not receivable in subsequent years.
38. Variances from budgeted Council Tax income, discounts and collection rates are dealt with in the calculation of the estimated surplus or deficit on the council’s Collection Fund. During 2013/14 the budgeted precepts will be paid from the Collection Fund to Chorley Council’s General Fund, the parish councils, Lancashire County Council, the Police & Crime Commissioner for Lancashire and the Lancashire Combined Fire Authority. The estimated 2013/14 surplus or deficit on the Collection Fund will be allocated to this council, county, police and fire in 2014/15.
39. In setting the Tax Base for 2013/14, and therefore the estimated net income from Council Tax, the budgeted cost of Council Tax Support discounts was increased to £6.510 million to allow for an increase in eligible claimants. The text of this report confirms that the forecast increase has not materialised and that the estimated cost in 2013/14 has actually reduced. In estimating the surplus for 2013/14, I have reduced the estimated cost of Council Tax Support discounts by £0.310 million to £6.200 million. This is a little higher than forecasts quoted in this report, but any year-end variance would be reflected in the surplus or deficit carried forward to 2014/15 for distribution in the following year.
40. In respect of the Collection Fund’s Council Tax income before discounts, the budgeted total (including the effect of technical changes and growth) was £56.132 million. In estimating the surplus or deficit for the year on the Collection Fund, the forecast has been increased by £0.327 million to £56.459m. I have also reduced the provision for bad debts by £0.038 million. Finally the difference between the actual Collection Fund surplus brought forward from 2012/13 and the estimated surplus distributed in 2013/14 is £0.112 million.
41. Taking all of these changes together, I have estimated that there should be a Collection Fund surplus of £0.788 million in 2013/14, which would be distributed to this council, county, police and fire in 2014/15. The split of the surplus is £102k to Chorley Council and £686k to the other preceptors. This estimate has been provided to Lancashire County Council to assist in budget preparation.
42. Performance in 2013/14 indicates that implementation of Chorley’s Council Tax Support scheme, and of the technical changes, has been achieved within budget. However, from 2014/15 onwards it is no longer possible to monitor the net cost of Council Tax Support because the Government funding is not identified as a separate resource allocation in the Local Government Finance Settlement.

43. If the scheme continues unchanged, and the change to the discount for empty and unfurnished properties is agreed, the Council Tax Base for 2014/15 would take this into account.

#### COMMENTS OF THE MONITORING OFFICER

44. The proposed scheme fulfils the statutory requirements by protecting those of pensionable age and having regard to the impact on groups categorised as vulnerable. The proposal is within the scope of the legislation.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

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<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Local council tax support scheme and changes to discounts and exemptions	8 January 2013	Council report	<a href="http://cbc-us-mod/ieListDocuments.aspx?CId=114&amp;MId=3307&amp;Ver=4">http://cbc-us-mod/ieListDocuments.aspx?CId=114&amp;MId=3307&amp;Ver=4</a>

  

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Julie Riding / Chris Sinnott	5337	7 January 2014	Localised council tax support Exec Cabinet report