

CABINET

22nd August 2012

<p><u>KEY DECISION</u></p> <p><u>Yes</u></p>
<p><u>DATE ADDED TO FORWARD PLAN</u></p>

TITLE

**PROPOSED LOCAL COUNCIL TAX ASSISTANCE SCHEME AND CHANGES TO
COUNCIL TAX DISCOUNTS AND EXEMPTIONS FROM APRIL 1st 2013**

WARDS AFFECTED

ALL

EXEMPT/CONFIDENTIAL ITEM

NO

1. PROPOSED DECISION

1.1 To consult all relevant stakeholders on proposals for a local Council Tax Assistance Scheme that will operate from 2013/14 and changes in the treatment of empty properties for Council Tax purposes.

1.2 Specifically, this report seeks to consult with stakeholders on the following recommendations:

Changing Discounts and Exemptions for Empty Properties

- i That the Council uses its powers under the Local Government Finance Act to vary discounts on empty properties so that Class A Exemptions for properties undergoing renovation are restricted to 25% from April 1st 2013.
- ii That the Council uses its powers under the Local Government Finance Act to vary discounts on empty properties so that Class C Exemptions

for short term empty properties are restricted to 25% from 1st April 2013.

- iii That the discount available for second homes reduces from 10% to 0%.
- iv That the charge on property that has been empty for two years and over increases from 100% to 150%.

Local Council Tax Assistance Scheme

- v That the Council rejects the Government's default scheme and introduces a local Council Tax Assistance Scheme for working age households from 1st April 2013.
 - vi That the Council's local assistance scheme mirrors the default scheme with the exception of the measures set out in the recommendations below.
 - vii That a 20% minimum liability is imposed on all working age households.
 - viii That the 20% minimum liability is calculated before entitlement for assistance under the local scheme is assessed and that a *de minimus* entitlement under the scheme is applied at the level of £1 per week.
 - ix That entitlement to local assistance is calculated based on the actual property band, or council tax band D, whichever is the lower and that this applies to all working age households regardless of band.
 - x That Second Adult Rebate is no longer available for working age residents from April 1st 2013.
 - xi That transitional arrangements are put in place to protect households that are affected by multiple elements of the local scheme from large increases in bills, and that these arrangements form part of a discretionary scheme to protect households in exceptional circumstances.
 - xii That a discretionary scheme is subject to further analysis and consultation and that detailed proposals are considered as part of the final scheme.
- 1.3 Furthermore, this report recommends that these proposed changes, to implement a local Council Tax Assistance Scheme, are subject to a period of 12 weeks consultation.
- 1.4 It is also recommended that each of the recommendations on which we seek to consult are subject to a thorough equalities impact assessment as part of the Council's assessment of the results of this consultation. Our initial equalities impact assessment is included at Appendix 1 to this report.
- 1.5 It is also recommended that the principles of any local Council Tax Assistance Scheme are subject to further approval by Council no later than 31st January 2013 after taking into account feedback from the consultation process.

2. JUSTIFICATION FOR THE DECISION

- 2.1 The DCLG is introducing legislation that will result in the termination of the current Council Tax Benefit scheme from April 1st 2013. Responsibility for determining a replacement scheme will fall to local authorities under a local Council Tax Assistance Scheme.
- 2.2 Although this policy is referred to as a 'localised' scheme, the options available in determining our scheme have been significantly reduced as the Government have protected pensioner households from any changes. The Government has also declined to give local authorities any powers to change the single person discount scheme. Arrangements for single people and pensioner households will therefore be unchanged.
- 2.3 These changes are being introduced alongside a transfer of DWP resources that were previously committed to funding Council Tax Benefit, although a significant reduction in funding will be applied at the point of transfer.
- 2.4 For St Helens, the reduction in funding is likely to be around £2.5 million in 2013/14. This reduction in funding is to be recouped from a local Council Tax Assistance scheme that is more restrictive than the current national model, alongside changes in the treatment of some discounts and exemptions from council tax.

3. FACTS SUPPORTING THE PROPOSED DECISION

- 3.1 The main features that have influenced these recommendations are:
 - The Council cannot afford to absorb the likely funding gap in 2013/14 that is associated with the transfer of responsibilities for the current Council Tax Benefit scheme and so must seek to pass this on through a revised local scheme.
 - The extent of the cuts, alongside provisions within the legislation that protect single person discounts and council tax assistance payable to pensioner households, means that it is not possible to recoup all the reduction in funding purely through changes to the local scheme.
 - In order to bridge the financial gap, we are also recommending using new powers under the Local Government Finance Act to reduce discounts on empty properties.
 - Together, these measures should enable the Council to recover an additional £2.5 million in council tax revenue next year to offset the reduction in funding.
 - There is a high degree of risk within these proposals, and this has been addressed by including a provision for increases in our caseload and for an increase in non-payment.

4. OTHER IMPLICATIONS

4.1 Legal

- 4.1.1 Legislation to support the localisation of Council Tax Benefit is yet to receive Royal Assent, despite the late stage in the legislative timetable. Any delays or disruption to its passage would mean that all local authorities would have to adopt the default scheme. The reduction in funding would be applied by the Government nonetheless.
- 4.1.2 Any policy that we propose will have legal implications, particularly around its impact on particular groups within the community.
- 4.1.3 There is the potential for legal challenge from bodies representing the interests of particular groups should any policy appear to have a disproportionate impact upon these groups.
- 4.1.4 Impact assessments need to be carefully conducted for all policy options to ensure that the interests of all sectors of the community have been considered.
- 4.1.5 Following consultation, and before formal approval, these policy options need to be codified in such a manner that will withstand legal challenge and prevent any ambiguity or uncertainty.

4.2 Human Resource Implications

- 4.2.1 These changes will have a significant impact on the operation of the Revenues and Benefits service and the Customer Services division. A review of the structures, processes and management of these services will be undertaken once the Council's policy has been agreed and is in place.
- 4.2.2 This review will be undertaken in 2013/14 once we have greater understanding of the implications of the local policy, and the associated changes that will arise as Universal Credit replaces Housing Benefit.

4.3 Land and Property (Asset)

- 4.3.1 There are no direct implications arising from this policy

4.4 Anti-Poverty

- 4.4.1 The application of a local scheme for council tax assistance, alongside the associated reduction in funding has very significant implications for poverty, as it will impact exclusively on the poorest working age households within the borough.

4.5 Effects on other Council Activities

- 4.5.1 The main direct effect will be on council tax collection and the processing of benefit, however it is likely that there will also be an increase in demand for customer contact as households are likely to require more customer contact as a result of these changes.

4.5.2 These policies also affect the Council's overall housing strategy as they provide an incentive for property owners to reduce the incidence of empty properties.

4.6 Human Rights

4.6.1 Any legal challenge to our local policy may be brought under Human Rights Legislation.

4.7 Agenda 21

4.7.1 There are no direct implications arising from this policy

4.8 Equalities

4.8.1 The implications in this area are potentially very significant. There is a need to ensure that our local policy does not disproportionately impact on any particular groups within the community.

4.8.2 Our initial Equalities Impact Assessment is included at Appendix 1. Any issues arising following the consultation process will also be subject to careful and considered assessments of the impact of policy changes on the community.

4.9 Health

4.9.1 The impact upon health in the borough will need to be considered within the localised scheme.

5.0 FINANCIAL IMPLICATIONS

5.1 The loss of funding will be around £2.5 million in 2013/14.

5.2 In order that this policy change can be contained within the reduced income limits, a number of measures are proposed within this report. The headline financial implications are presented at Table 1 overleaf.

Table 1. Summary Financial Implications

Proposal	Properties Affected	Assumed Tax Yield
Replacing the Class C exemption on empty property with a 25% discount	7,200	£834,196
Replacing the Class A exemption on structural alterations with a 25% discount	568	£193,768
Reducing discount on second homes from 10% to 0%	480	£30,000
Increasing charge on long-term empty properties (2yrs and over) to 150%	626	£20,000
Total from changing discounts and exemptions	8,874	£1,077,964
Introducing a 20% minimum liability	11,800	£1,513,600
Restricting Entitlement to Band D	26	£5,891
Introducing a de minimus award level of £1 per week equivalent	250	£11,682
Ceasing to offer second adult rebate	200	£49,000
Total from Local Scheme	12,276	£1,580,173
Provision for growth and discretionary payments		-£150,000
Net total from Local Scheme		£1,430,173
Grand Total		£2,508,137

- 5.3 It is important to note that there is considerable risk and uncertainty involved in making financial predictions of this nature. Income assumptions regarding local taxation are highly sensitive to factors beyond our direct control, particularly around the numbers of empty properties and the relative health of the local economy.
- 5.4 This risk and uncertainty has been transferred from the Treasury to local authorities as a deliberate objective of the Localisation policy. Previously, the unpredictability of expenditure related to welfare benefits was considered under Treasury rules for 'Annually Managed Expenditure' (essentially there was no fixed budget). These changes limit the Treasury's exposure to risk by passing this risk to local authorities.
- 5.5 We have attempted to incorporate risk factors within our financial modelling by assuming a lower collection rate than we would normally apply, and by making a provision for new claims during the year.

6.0 PREVIOUS APPROVAL/CONSULTATION

- 6.1 The Council is required to consult on its proposals for localisation of Council Tax Assistance and will do so based on the statement that is included at Appendix 2 to this report.
- 6.2 Consultation will be undertaken with all St Helens residents using the October edition of St Helens First magazine and through statements in local media. Consultation will also be undertaken through our website www.sthelens.gov.uk

- 6.3 There is no such formal requirement to consult on the proposed changes to the treatment of empty properties for Council Tax purposes. Nonetheless, it is proposed that we undertake consultation directly with interested parties prior to formal approval of the recommendations included in this report.

7. ALTERNATIVE OPTIONS AND IMPLICATIONS THEREOF

- 7.1 The Council can adopt the government's 'default' scheme as its local Council Tax Assistance Scheme. This is essentially the same as the current national scheme. While this would be advantageous to claimants, it would result in additional costs of £2.5m in 2013/14 and beyond. As such, this option is considered unaffordable.
- 7.2 The Council could also seek to recoup the full amount of the funding gap through a revised local Council Tax Assistance Scheme, however this would result in extremely high reductions in assistance across the working age caseload. The extent of the reduction in assistance that would be needed to offset the cut would present extreme difficulties in collection and the cost of collection as well as impose significant hardship on many.
- 7.3 Alternative options have been considered both for the application of the local Council Tax Assistance Scheme, and for the treatment of empty property discounts and exemptions. Please refer to Appendix 1 for further details.

8. APPENDICES

Appendix 1: Localisation of Council Tax Benefit and Discounts and Exemptions:
Equality Impact Assessment

Appendix 2: Changes to Council Tax Benefit: Consultation Document

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