

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 7 January 2013

Portfolio:	Policy, Strategy and Finance
Subject:	Local Council Tax Support Scheme 2013/14
Report of:	Director of Finance and Resources
Strategy/Policy:	
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

To provide the Executive with the results of public consultation and seek approval of the Fareham Local Council Tax Support scheme and related changes to council tax discounts and exemptions, effective from 1st April 2013.

Executive summary:

In October 2012, the Executive agreed a draft Local Council Tax Support scheme for the purposes of a public consultation exercise. An extensive consultation exercise was carried out during October and November, and over 600 responses were received.

The consultation process also sought views on a number of possible changes to certain discounts and exemptions for council tax relating to empty properties and second homes.

Having analysed the responses from the consultation, a detailed Equalities Impact Assessment has been concluded, and a final scheme has now been prepared for the Executive to consider. This will enable a scheme to be recommended to Full Council later in the month and prior to the deadline of 31st January 2013.

Recommendation:

- (a) That the Executive approves:-
 - i. The final Council Tax Support scheme, as set out in the report;
 - ii. The local discounts, exemptions and premiums for second homes and empty properties within the Borough;
- (b) The Executive considers whether the final scheme should be revised to enable Transition Grant to be claimed
- (c) The Executive to recommend the final scheme for adoption to Full Council for final adoption.

(d) The Director of Finance and Resources, be given delegated authority to make any necessary minor amendments, and to publish the final scheme prior to 1st April 2013.

Reason:

To enable a Council Tax Support scheme to be agreed in advance of the 31st January 2013 deadline.

Cost of proposals:

The proposals within this report are estimated to cost £3.96m, and it is anticipated that this can be contained within devolved funding from central Government. The proposals to amend council tax discounts and exemptions are expected to generate approximately £28,000 of additional income, of which £3,000 would be attributed to Fareham BC, and the balance to the major precepting authorities.

Appendices A: Results of the Public Consultation Exercise

B: [Summary Equalities Impact Assessment \(Council Tax Support\)](#)

C: [Summary Equalities Impact Assessment \(Council Tax Discounts\)](#)

Background papers: None

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Executive Briefing Paper

Date: 7 January 2013

Subject: Local Council Tax Support Scheme 2013/14

Briefing by: Director of Finance and Resources

Portfolio: Policy, Strategy and Finance

INTRODUCTION

1. In the 2010 Spending Review, the Government stated that it would reduce spending on Council Tax Benefit by 10%, by abolishing the national arrangements and devolving the responsibility to design a scheme to the local billing authorities from 2013/14. The 10% saving was one of the proposals put forward by the Department of Communities and Local Government (DCLG) as part of its contribution to the national budget deficit reduction. This ambition has since been enshrined in legislation, following royal assent of the Local Government Finance Act.
2. At its meeting on 1st October 2012, the Executive agreed to consult upon a series of options, in the form of a draft Council Tax Support (CTS) scheme, together with options to amend discounts and exemptions currently offered to owners of second homes and empty properties. This report sets out the results of the consultation exercise and proposes a final scheme for council tax support.

RESULTS OF CONSULTATION

3. Recognising that the proposed local CTS scheme and changes to council tax discounts were far reaching and would impact all tax payers in some form, an extensive consultation exercise took place. This started on 2nd October and closed on 30th November 2012. The following methods were used to ensure views were gathered from a wide range of customers, residents and other interested parties:
 - On-line survey, available for all to access
 - Paper copies available for all, upon request
 - Targeted request for feedback to residents, via the e-Panel
 - Attendance at CAT meetings in all CAT areas
 - Full page article within the Fareham Today magazine
 - Proactive, "face to face" engagement with claimants visiting the civic offices

- Information leaflets accompanying all benefit correspondence, encouraging feedback
 - Targeted publication of consultation to those organisations listed on the Community Groups database
 - Regular reminders via press release and social media (Facebook and Twitter).
4. In total, 630 responses to the consultation exercise were received, and the results are summarised in Appendix A.
5. The results of the consultation indicate that most aspects of the draft scheme were supported by the majority of the respondents. The aspects where this was either less clear, or where a contrary view was expressed are shown below;
- 52% of respondents felt that those in receipt of support should pay at least 25% of their bill, with 38% supporting the lower 20% threshold.
 - 48% of respondents felt that claimants in employment should not receive more support to encourage them to increase their working hours; 38% were supportive of this approach.
 - 44% supported the removal of the Second Adult Rebate, whereas 30% disagreed.
 - 69% felt that homes which were empty and unfurnished for less than 6 months should pay council tax
 - 44% felt that the Council should provide funding for Money Advice to support those affected by the scheme, with 44% disagreeing.
6. The results of the consultation exercise have been taken into account when designing the final scheme for CTS and council tax discounts.

PROPOSED CHANGES TO COUNCIL TAX DISCOUNTS

7. The Local Government Finance Act now provides local authorities with the ability to determine the extent of discounts or exemptions in the following circumstances:
- Ability to charge full council tax on second homes (currently a 10% discount is available);
 - Properties undergoing major repair will no longer receive a standard 100%, 12 month “class A exemption”, but billing authorities may give a local discount of up to 100%;
 - Vacant dwellings will no longer receive a standard 100%, 6 month “class C exemption” but billing authorities may give a local discount of up to 100%
 - Billing authorities may levy a premium charge of up to 150% of the council tax on an empty property, where it has been empty and unfurnished for at least 2 years.
8. The consultation exercise supported the removal of all of the above discounts and exemptions. This would affect 295 “second homes” in the borough and 225 “empty properties”.

9. However, it is important to consider the circumstances that give rise to homes being empty or unoccupied for prolonged periods of time. A large proportion of the borough's second homes are holiday homes or chalets (for example located at Meon Shore or Solent Breezes), properties which become unoccupied are often rental properties which are vacant during a transitional re-letting period, or are derived from deceased estates.
10. Taking account of the consultation responses, but also the reasons why properties become vacant, the following approach is proposed:-

Proposal	Rationale
a. That the 10% second homes discount is removed, effective from 1 st April 2013	Recognizing the results of the public consultation To offset the cost of CTS
b. That a local discount of 100% is introduced to replicate the current "class A" exemption for properties requiring or undergoing majors repairs or structural alterations, limited to a maximum of 12 months.	This will recognise the reduced services used by such properties and act as a financial incentive for homeowners to complete major repair work promptly.
c. That a local discount of 100% is introduced to replicate the current "class C" exemption for properties which are vacant and unfurnished, limited to a maximum of 6 months.	This will avoid a significant increase in administrative work and continue to provide a short period of time for properties to be re-let or sold.
d. That a local Empty Property premium be introduced, equivalent to 50% of (and in addition to) the standard council tax liability for a property which has been vacant and unfurnished for at least 2 years.	To support the Council's Empty Homes Strategy

PROPOSED LOCAL COUNCIL TAX SUPPORT SCHEME

11. At the Executive in May 2012, the Executive agreed a set of guiding principles upon which a draft CTS scheme for Fareham was designed. The draft scheme was considered by the Executive in October and this was used as the basis of the consultation that followed. The features of the draft scheme were :-

- **Principle 1:** Every Working Age claimant should pay something towards their Council Tax
- **Principle 2:** The scheme should protect the most vulnerable claimants
- **Principle 3:** The scheme should incentivise work
- **Principle 4:** Everyone in the household who can contribute, should contribute
- **Principle 5:** Benefit should not be paid to those with large capital or savings

12. Following these principles, the draft scheme was prepared which was based upon the existing arrangements for council tax benefit, but with the following important changes.

Key Principle	Draft Scheme
1. Every working age claimant should pay something towards their Council Tax	Working age claimants will receive a maximum of 75% or 80% of the means-tested financial support award, capped at a Band C The current Second Adult Rebate scheme will be removed.
2. The scheme should protect the most vulnerable claimants	The current means-test, comprising disregards, premiums and allowances will be retained in full. Those claimants in receipt of the Enhanced Disability Premium and Severe Disability Premium will be protected from the changes Those claimants in receipt of a war pension or war widow/ers pension will be protected from the changes
3. The scheme should incentivise work	The current scheme of extended payments and child care costs will be retained. All earned-income disregards will be increased by £5 per week
4. Everyone in the household who can contribute, should contribute	All working age non-dependants will be expected to contribute a minimum of £3.30 per week
5. Benefit should not be paid to those with large capital or savings	The capital thresholds will remain in place, with no support paid to claimants where their capital exceeds the upper threshold of £16,000. (The lower threshold, £6,000, also remains unchanged).

13. In addition to these scheme features, the local arrangements proposed the introduction of a Hardship Fund, to provide limited, short term assistance in cases of extreme hardship. This would be supported with further financial commitment to a money advice service, in order to provide a longer term solution to managing and overcoming hardship.
14. Maximum support: The consultation sought views on the appropriate maximum level of financial support for claimants, and the majority opted for a 75% upper limit. However, further assessment of the likely cost of the scheme would indicate that the more generous upper limit (80%), which was supported by 38% of respondents, could be contained within the available resources. For this reason, the final scheme proposes an upper maximum limit of 80%.

15. Incentives to Work: The consultation responses also indicated that the scheme should not increase the incentives to work, with only 38% supporting the proposal. However, given that it is an overriding Government objective to make it advantageous to work rather than rely upon the welfare system, the final scheme proposes that this enhancement remains.
16. Second Adult Rebate: A small majority (44%) agreed the second adult rebate arrangements should be removed from April 2013. Members will recall that the rationale for removing this as part of the draft scheme was to ensure that support was only given to those following a full means testing exercise of the liable person, and that the Second Adult Rebate give rise to an anomaly where (if certain criteria applied) benefit had to be paid regardless of the liable person's ability to pay. Therefore, the final scheme confirms the original proposal and removes the second adult rebate feature.
17. Money Advice: The proposal to improve the money advice that is available to those in need was evenly split in the consultation responses, with 44% supporting and 44% disagreeing with the proposal. The rationale for the original proposal was to put in place a scheme which equipped claimants with the skills necessary to manage a reduced level of benefit themselves within their finances. While the responses were evenly split, the final scheme proposes that the Council makes available a grant for an improved money advice service to be operated through the Citizen's Advice Bureau. Officers are in discussions with the CAB about the nature and scope of such a service, but it is likely to involve two elements; advice for individuals on their personal financial situation and more generic training about managing personal finances.
18. In order to comply with the Local Government Finance Act, it is necessary for the Council to publish the full details of the scheme. Once agreed, this will be made available to the public, and be submitted to the Tribunals Service, who will be responsible for considering any appeals against the decisions taken in administering the CTS scheme. The detailed scheme is currently being prepared and will be submitted to Full Council when the scope of the scheme is finally determined.

CTS SCHEME TRANSITIONAL GRANT

19. Since the draft scheme was published, the Department for Communities and Local Government has made available an additional £100 million for one year only, to support local authorities in developing "well-designed council tax support schemes and maintain positive incentives to work".
20. Councils must set their CTS schemes by 31st Jan 2013, but cannot apply for the grant until March 2013. There are certain criteria, set by Government, which must be complied with in order to qualify for the grant, which seek to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. To apply for a grant, billing authorities must adopt schemes which ensure that:

- a. Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
 - b. The taper rate does not increase above 25%;
 - c. There is no sharp reduction in support for those entering work.
21. The proposed CTS scheme for Fareham does meet point (b), above, but does not meet the other two criteria. If the Council chose to amend the scheme and claim the grant, then the following main features would need to be amended:-
- a. Working age claimants receiving maximum support of 80% would be removed. Instead, the scheme would offer a maximum reduction of benefit (compared to the existing arrangements) of 8.5%
 - b. The “band C” cap on support would be removed.
 - c. The requirement for all working age non-dependants to contribute a minimum of £3.30 per week, would be removed.
22. It is estimated that the cost of amending the final scheme, to meet criteria for receiving the transitional grant would be £280,000. The transitional grant that would be paid (across billing and precepting authorities) would be £108,000, giving rise to a funding shortfall of £172,000. This shortfall would need to be met by the funding authorities in the following proportions
- Fareham BC (£17k)
 - Hampshire CC (£129k)
 - Hampshire Fire and Rescue (£8k)
 - Hampshire Police (£18k)

EQUALITIES IMPACT ASSESSMENT

23. A full and detailed equalities impact assessment has been carried on the proposals contained within the report. In summary, it is felt that the scheme complies with the requirements upon the Council, and this does not change if the Council opted to accept the Transition Grant.
24. A summary of the findings from the Impact assessment is attached as [Appendix B](#).
25. A summary of the findings from the Impact assessment carried out in relation to the proposed changes to Council Tax is attached as [Appendix C](#).

FINANCIAL IMPLICATIONS

26. It is anticipated that the proposals for the Fareham CTS scheme will cost in the region of £3.96m. Assuming that the funding for the scheme is confirmed, then this cost would be contained within the funding, without being a spending pressure upon the Council or major precepting authorities.

27. The proposals to introduce a hardship fund (£100,000) and extended Money Advice (£30,000) have been taken into account when setting the draft general budgets for 2013/14, which were agreed by the Executive at their December meeting. This is a cost which falls upon Fareham BC, and unlike other aspects of the scheme, will not be shared with other preceptors.
28. If the Council decides to amend the scheme proposals so that Transition Grant can be applied for, costs will increase by £280,000, which would be partly offset by grant of £108,000. The funding shortfall of £172,000 would need to be found from cost reductions elsewhere, by Fareham BC and the other preceptors. It is anticipated that the FBC element of the shortfall (£17,000) could be met from the budget earmarked for the Hardship Fund, on the basis that the transitional scheme in 2013/14 would be more generous than the core scheme.
29. The additional income that can be expected from the technical changes to council tax discounts and exemptions are limited, but are estimated to be in the order of £28,000.

CONCLUSION

30. The proposed move from nationally council tax benefit to a local CTS scheme present a very significant challenge for all local authorities. The proposed scheme within the report should enable the Council to contain the cost within the available resources, and fully take account of the feedback from an extensive period of consultation. They also make some provision to assist with limiting financial hardship in extreme cases.
31. Proposals within the report will also go some way to mitigating the impact of the CTS scheme through changes to the scheme for council tax discounts and exemptions.
32. Members are asked to consider the final proposals contained within the report, and make a recommendation to the special meeting of Full Council, concerning the proposed scheme, the amendments required to qualify for Transition Grant, and the changes to council tax discounts/exemptions.

Reference Papers: None

Analysis of Consultation Responses

	Response	Responses (%)	Responses (no.)
1	If everyone should pay something towards their Council Tax bill, should the minimum amount they pay be 20% or 25% of their bill?	Minimum of 20% Minimum of 25% Don't know	38% 52% 10% 236 326 60
2	Should people who receive Council Tax Benefit who are in properties with a higher Council Tax charge be asked to pay more?	Yes No Don't know	74% 20% 6% 461 123 38
3	Should people who are working receive more Council Tax Benefit to encourage them to increase the number of hours they work?	Yes No Don't know	38% 48% 14% 235 298 89

		Response	Responses (%)	Responses (no.)
4	Should other adults living in a household where the Council Tax payer claims Council Tax Benefit, be asked to pay more toward the Council Tax bill than they do now?	Yes	77%	476
		No	16%	98
		Don't know	7%	45
5	Should the Second Adult Rebate be removed?	Yes	44%	268
		No	30%	186
		Don't know	26%	161
6	Should all non-dependent adults make a contribution to the household Council Tax bill?	Yes	78%	480
		No	15%	94
		Don't know	7%	45
7	Should people with empty second homes (a furnished property which is no-one's sole or main residence) stop receiving a 10% Council Tax discount?	Yes	80%	499
		No	16%	97
		Don't know	4%	22

		Response	Responses (%)	Responses (no.)
8	Should people with empty homes which need, or have recently had major repairs to make them habitable, pay Council Tax?	Yes	75%	461
		No	18%	114
		Don't know	7%	44
9	Should people with empty homes that have been left unoccupied and unfurnished for less than six months pay Council Tax?	Yes	69%	425
		No	26%	164
		Don't know	5%	31
10	Should people with homes left empty for more than two years pay 150% Council Tax?	Yes	62%	381
		No	32%	196
		Don't know	6%	42
11	Should the most vulnerable local residents that find it very difficult to work, be protected from any cuts to the level of support available to them?	Yes	76%	469
		No	15%	95
		Don't know	9%	53

		Response	Responses (%)	Responses (no.)
12	Should the Council provide funding for more Money Advice for local people?	Yes	44%	273
		No	44%	270
		Don't know	12%	76
13	Should the Council create a Hardship Fund to support people suffering genuine hardship because of the changes to Council Tax Benefit?	Yes	60%	367
		No	27%	163
		Don't know	13%	85
14	Do you think there are any groups of people in the community who would be affected more than others if everyone currently on benefit has to pay something towards their Council Tax?	Yes	35%	210
		No	29%	174
		Don't know	36%	223

15 Please could you tell us whether you think these will have a high impact, a medium impact or a low impact on each of those groups as a result of the changes to Council Tax Benefits?

	High	Medium	Low	Don't know	Total
Families with children	117	267	114	92	590
Percentage	20%	45%	19%	16%	
Lone parents	211	226	62	94	593
Percentage	36%	38%	10%	16%	
Carers	189	204	80	111	584
Percentage	32%	35%	14%	19%	
Part time and full time workers	44	214	235	96	589
Percentage	7%	36%	40%	17%	
People who are disabled	238	174	79	102	593
Percentage	40%	30%	13%	17%	
Single People and couples without children	40	133	315	105	593
Percentage	7%	22%	53%	18%	

		Response	Responses (%)	Responses (no.)
17	Would you say that any of the following describe your household? Tick all that apply			
		A family with three or more children	4%	28
		A lone parent h/hold	3%	23
		A carer	3%	23
		A h/hold with full and/or part time workers	37%	259
		A household that includes someone who is disabled	7%	47
		A single person h/hold or a couple without children	22%	156
		None of them	23%	165
		Don't know	1%	8
18	Are you a service personnel or ex service personnel?			
		Yes	20%	125
		No	80%	491
19	Are you a War Widow?			
		Yes	1%	3
		No	99%	602

		Response	Responses (%)	Responses (no.)
20	Your age	Under 16	0%	0
		16-24	1%	6
		25-34	5%	33
		35-44	13%	79
		45-54	20%	127
		55-64	23%	144
		65+	33%	207
		Prefer not to say	5%	27
21	Your gender	Male	57%	354
		Female	39%	240
		Prefer not to say	4%	28
22	Do you consider yourself to have a disability, or long-term illness, physical or mental health condition?	Yes	14%	84
		No	80%	495
		Prefer not to say	6%	43

		Response	Responses (%)	Responses (no.)
23	Your ethnic origin	Asian Bangladeshi	0% -	
		Asian Indian	0%	2
		Asian Pakistani	0% -	
		Asian - other background	0% -	
		Black African	0%	1
		Black Caribbean	0% -	
		Black - other background	0% -	
		Chinese	0% -	
		Mixed race	0%	2
		White British	90%	544
		White Irish	0%	3
		White - other background	4%	16
		Prefer not to say	6%	34
24	Your religion	No religion	27%	164
		Buddhist	0%	1
		Christian	64%	383
		Hindu	0%	1
		Jewish	0%	1
		Muslim	0%	1
		Sikh	-	
		Prefer not to say	9%	48