



Report to Council

Date: **24 January 2013**

Report of: **Director of Finance and Resources**

Subject: **LOCAL COUNCIL TAX SUPPORT SCHEME**

SUMMARY

This report sets out a recommended local Council Tax Support scheme for adoption by the Council. The scheme will operate from 1 April 2013.

RECOMMENDATION

That the Council approve:

- The final Council Tax Support scheme, as set out in the report at Appendix A
- The introduction of transitional protection arrangements for 2013/14 as set out in paragraph 19-22 of the report at Appendix B
- That the net shortfall of the transitional arrangements (estimated to be £18,000) be funded from the budget allocated to the Hardship Fund in 2013/14
- The local discounts, exemptions and premiums for second homes and empty properties within the borough as set out in paragraph 7-10 of the report at Appendix B
- That delegated authority be given to the Director of Finance and Resources to make any necessary minor amendments and to publish the final scheme prior to 1 April 2013.

INTRODUCTION

1. The Local Government Finance Act 2012 requires Councils to agree and adopt by 31 January 2013 a local scheme of Council Tax Support to take effect from 1 April 2013. The local scheme replaces the national Council Tax Benefit scheme for working age customers which is abolished by the Welfare Reform Act 2012 from 31 March 2013. A national Council Tax Support scheme will remain for pension age customers.
2. Councils and precepting authorities will receive grant funding as a contribution to the costs of providing both the local scheme for working age customers and the national scheme for pension age customers. The total grant for Fareham Borough Council plus the related elements for Hampshire County Council, the Police Authority and the Fire & Rescue Authority is £3.96 million for 2013/14 against a projected current year spend of £4.3 million.
3. A public consultation exercise was undertaken and, following a report to the Executive on 7 January 2013 shown at Appendix B, the Executive recommended a local scheme for adoption by the Council that would see certain vulnerable groups protected from reductions and other working age customers facing a reduction in support.

PROPOSED COUNCIL TAX SUPPORT SCHEME

4. At its meeting of 7 January 2013, the Executive considered a report on local Council Tax Support scheme options. The report, at Appendix B, presented outcomes of the public consultation exercise and set out the proposed scheme in response to the consultation responses.
5. The Executive supported a scheme that would see the most vulnerable customers protected from reductions in support. These customers are those who are in receipt of the Enhanced Disability Premium and Severe Disability Premium.
6. The Executive also supported protecting customers in receipt of War Pensions and War Widows Pensions from reductions in support by continuing with the existing scheme of disregarding the income from these pensions when calculating entitlement.
7. A key principle of an amended scheme of support was to introduce a measure whereby all adults in the household should contribute towards the Council services they receive. Therefore the Executive agreed that all working age non-dependants will be expected to contribute a minimum of £3.30 per week.
8. The remaining working age customers will receive support based on 80% of their Council Tax liability (as opposed to current 100% of liability), also capped at a Band C liability for those living in properties in Bands D and above.
9. The Executive supported the proposed introduction of a Hardship Fund to provide short term assistance in cases of extreme hardship experienced by those affected by the change in the level of Council Tax support. This would be supported by further financial commitment to a money advice service.
10. To support the Government's desire to incentivise work, the Executive agreed to retain the extended payments provisions and treatment of child care costs that exist under current Council Tax Benefit legislation. To further encourage customers to undertake paid work, the Executive agreed to an increase to all earned-income disregards by £5 per week.

11. The Executive supported the removal of the Second Adult Rebate scheme for working age customers.
12. The proposed scheme is set out in detail at Appendix A.

TRANSITIONAL GRANT

13. In order to take advantage of the funding announced by the Department for Communities and Local Government, the Council will need to temporarily allow support to be assessed against actual liability regardless of property Band and increase the maximum cap on support from 80% to 91.5%. Additionally, the introduction of the non-dependant deductions as detailed in paragraph 7 above would also be delayed.
14. These temporary changes would be in place for one year only and end on 31 March 2014.

PROPOSED CHANGES TO COUNCIL TAX DISCOUNTS

15. The Executive supported the proposed changes to the discounts currently in place for second homes and empty properties as detailed in paragraph 10 of the report at Appendix B.
16. In addition, they supported the introduction of an Empty Property Premium, 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 two years.

RISK ASSESSMENT

17. The adoption of a scheme that reduces financial support for working age customers, the removal of current discounts for second homes and empty properties and the introduction of a premium on long-term empty properties increases the risks of non-payment of Council Tax. An assessment of the impact of non-payment will be built into the council tax base and will impact on the amount of Council Tax income for the Council and the major precepting authorities.
18. Variations in Council Tax and/or caseload levels, including variations in numbers of customers in the vulnerable groups, could lead to an increase in costs which would have to be met by the Council and major precepting authorities. The recommended scheme provides for these potential increases in costs.

CONCLUSION

19. The decision requested in this report should enable the Council to contain the cost of the proposed scheme within the available resources and takes into account the feedback from the extensive consultation exercise carried out during October and November 2012. Additionally it will ensure that the Council fulfils its responsibility under the Local Government Finance Act 2012 in relation to local Council Tax Reduction Schemes.

Appendices: A: Fareham Borough Council - Council Tax Support Scheme Policy
 B: Report to Executive 7 January 2013 xps-130107-r10-cqu

Background Papers: None

Reference Papers: Local Government Finance Act 2012

Enquiries:

For further information on this report please contact Caroline Quirk. (Ext 4645)