

ROTHERHAM BOROUGH COUNCIL – REPORT TO COUNCIL

1.	Meeting:	Council Meeting
2.	Date:	30th January 2013
3.	Title:	Final Council Tax Reduction Scheme and Revisions to the Council Tax Discount and Exemptions for Second homes and empty properties
4.	Directorate:	Resources

5. Summary

This report details Rotherham's proposed new Council Tax Reduction Scheme (CTRS) together with the proposed changes to Council Tax discounts and exemptions both which have been the subject of public consultation. In previous reports the scheme has been referred to as Council Tax Support however the government has decided on the title of Council Tax Reduction Scheme.

The Council's proposed scheme, protects pensioners benefits, as it was required to, but unlike the present Council Tax Benefit regime it was necessary to require working age claimants to make a contribution to their Council Tax bill. This contribution would set at a minimum 8.5% of the Council Tax due (subject to Member approval). By setting this limit, the Council's proposed Scheme is expected to meet the Government's qualifying criteria for the transitional grant which the Government has introduced to limit the impact on working age claimants of the significant reduction in Government funding for Council Tax Benefits to local authorities to be introduced from April 2013.

The planned technical changes to discounts and exemptions for empty properties and second homes will increase the Council Tax income to the authority which will be used to reduce the amount of the Government Funding reduction (referred to above) that has to be passed through to working age CTRS claimants.

6. Recommendations

Council are asked to:

- **Agree that the maximum CTRS support be set at 91.5% in order to meet the qualifying criteria for the Government Transitional Grant and that the Council applies for Transitional Grant funding in 2013/14.**
- **Approve the proposed new Council Tax Reduction Scheme (CTRS).**
- **Approve the proposed changes to Council Tax discounts and exemptions.**
- **Agree to notify the South Yorkshire Joint Authorities of the Council's decisions.**

7. Proposals and Details

- 7.1 **Background** - Council Tax Benefit (CTB) is an income related benefit, which is currently administered by local authorities on behalf of the Department for Work and Pensions (DWP) which fully subsidises the cost of benefits. From April 2013, CTB will be abolished and replaced by a local scheme which will be called Council Tax Reduction Scheme (CTRS). Initially, the proposals had been named Council Tax Support but the Government has now decided on this new title. CTRS will operate as a set of discounts on the Council Tax charged by an authority rather than a benefit. The new regime will allow local authorities to design and administer their own CTRS subject to the requirement that any scheme will be required to protect pensioners' entitlement at current levels, provided that their financial circumstances do not change.
- 7.2 As well as the changes to CTB, technical changes to local authority discretions in respect of the Council Tax discounts and exemptions awarded to empty properties and second homes were introduced. Accordingly, the Council also developed proposals to reduce the discounts and exemptions (and for homes empty longer than 2 years introduce a Council Tax premium)
- 7.3 Over the summer the Council had developed its CTRS and technical change proposals and, with Members' approval, had started a public consultation on the schemes. The proposals are set out below.
- 7.4 Council Tax Reduction Scheme

The proposed CTRS scheme for working age claimants will be broadly similar to the current Council Tax Benefit scheme with the following major points:

- Subject to agreeing to accept Transitional Grant (which is considered in section 7.6 below) the maximum percentage of CTRS will be 91.5%. This will mean a claimant will have to pay a minimum 8.5% of their Council Tax. If the Transitional Grant is not accepted the maximum percentage of CTRS will be 80% meaning claimants pay a minimum 20%.
- Second Adult Rebate will be abolished.
- In order to safeguard vulnerable groups the present scheme of allowances, premiums and income disregards will be retained in the CTRS as the best way of recognising the particular needs of families, carers and people with disabilities.
- In order to promote work incentives, the current 4 week run on period will be retained in the CTRS. This means a claimant entering work or increasing their hours will, as at present, not see their CTRS entitlement reduce for a period of 4 weeks. Additionally, the 20% taper will be retained meaning employed claimants will lose only 20p benefit for every additional £1 they earn.
- With Armed Forces Covenant in mind, the existing disregard of 100% of all monies received in respect of war widows and war disablement pensions will be retained in the CTRS.

Pensioners are protected under the proposals and providing their financial circumstances do not change will see no changes in the Council Tax benefits that they receive.

The full proposed Rotherham CTRS document will be available for inspection at the meeting or by contacting Democratic Services for a copy.

- 7.5 Consultation - these proposals for CTRS and changes to Council Tax discounts and exemptions were, with the approval of Members the subject of Public Consultation which was intended to inform the Council's final decision. The results of the consultation found an overall majority in support of all the proposals making up CTRS. The results of the consultation can be found in the accompanying "Consultation Full report".

7.6 Council Tax Reduction Scheme Transitional Grant – Qualifying Criteria

Mid way through the public consultation, the Government announced proposals for a Transitional Grant to support the introduction of the new CTRS. Up to £100m transitional funding will be provided nationally as an un-ringfenced specific grant for one year only. The grant will be paid in March 2013 to authorities with schemes satisfying the criteria in March 2013. Details of authorities' grant allocations have been published – **Rotherham would receive £0.468m (in respect of both its own tax and parish precepts) should it meet the scheme criteria.** The DCLG have indicated that these allocations will not be affected by the Local Government Finance Settlement.

The qualifying criteria for the CTRS transitional grant states that Council's local scheme must:

- Ensure those who would be entitled to 100% support under the current Council Tax benefit scheme should pay no more than 8.5% of their net Council Tax liability;
- Have a taper rate (i.e. the rate at which support is withdrawn as claimant's income rises) not greater than 25%;
- There must also be no sharp reduction in benefit support for those entering work- i.e. the taper should continue to operate as under the current Council Tax Benefit regulations;
- And, although not one of the criteria, the Government would also not expect local authorities to impose large additional increases in non-dependent deductions.

- 7.6 As the Council's proposed local CTRS has retained many of the characteristics of the current national benefit scheme, we believe the Council's proposed Scheme meets these criteria, providing the maximum level of support was set at 91.5% (leaving the minimum contribution from claimants at 8.5%), compared with the 80% maximum support and 20% minimum contribution that had previously been modelled. The other provisions within our scheme are thought to be consistent with Government's requirements for Council Tax Reduction Scheme Transitional Grant.

- 7.7 By accepting the Transitional Grant the authority will be able to minimise the impact of the CTRS on the most vulnerable working age claimants many of whom will currently not be paying Council Tax due to their entitlement to 100% Council Tax Benefit. Many of these claimants will also be subject to reductions

in other welfare benefits and therefore it is felt that a reduction in their maximum Council Tax contribution from 20% to 8.5% will greatly assist them in being able to maintain the additional payments required.

- 7.8 Setting a scheme in line with the Transitional Grant requirements would mean a claimant in a Band A property with no parish precept or other discounts would pay a minimum £81.04 per year or £1.56 per week. Although this is still a substantial amount for claimants on low income it is substantially less than the amount that would have to be paid if the Transitional Grant was not taken where a maximum CTRS entitlement would mean the same claimant paying £190.68 per year or £3.67 per week.

7.9 Changes to Council Tax Discounts and Exemptions

Alongside the introduction of CTRS the Government announced that authorities would have increased discretion with respect to the Council Tax Discounts and Exemptions applying to empty properties and second homes. The Council developed proposals for specific changes to Council Tax discounts and exemptions in consultation with Members and the following changes are to be made to Council Tax discounts and exemptions.

- Removal of the current 50% discount for second homes. These properties would receive a full charge.
- Replace the current 100% exemption for homes undergoing major structural repair with a 25% discount.
- Replace the current 100% exemption for vacant and unfurnished properties in the first 6 months with a 25% discount.
- Remove the current 50% discount for vacant and unfurnished properties between 6 months and two years. These properties would receive a full charge.
- Charge an additional 50% premium for vacant and unfurnished properties over two years meaning these properties would receive a 150% charge.

It is estimated that these changes will generate an additional £2m in Council Tax income, which will help reduce the amount passed through to working age CTRS claimants.

- 7.10 It should be noted however, that although the Government will provide grant funding in respect of the CTRS, unlike the current Council Tax Benefit the scheme will not be fully funded by the Government – the grant allocation is 90% of the **estimated** cost of CTB in 2013/14. In reality the Council estimates that the shortfall after allowing for Council Tax Freeze Grant and Transitional Grant will be in the region of £3.0m. Of this, it is estimated £2m can be recovered by means of the technical changes to exemptions and discounts considered at section 7.3 above leaving approximately £1m to be passed through to working age claimants.

7.11 Next Steps

The South Yorkshire Police and Fire and Rescue Authorities, like the Council, will receive Council Tax Support Grant to replace Benefit and, should the Council apply for Transitional Grant they will also receive an allocation from the

£100m national pot. It is proposed that the Council's intentions are shared with the Joint Authorities.

Parishes – the Government indicated its clear expectation that billing authorities like the Council will work with parish and town councils to pass down grant funding. To this end the Council has issued guidance to local councils on this matter which will enable them to have certainty when considering and setting their 2013/14 precepts.

Rotherham's proposed CTRS scheme and Council Tax technical changes will be brought forward for approval by Full Council on January 30th (as required by regulation – the scheme must be approved by Full Council by 31st January).

8. Finance

The implications of the proposals outlined have been included in the Council's Budget plans for 2013/14 and will be reflected in the Budget Setting Report which will be submitted to Council on March 6th 2013.

9. Risks and Uncertainties

The risks for the authority are as follows:

- Transitional Grant - the Council will not know if its application for transitional grant application has been successful until late March 2013, by which time the scheme with a 91.5% maximum entitlement level will have been approved by the Council.
- The Transitional Grant will be non-recurrent. If the grant is accepted, a further decision will be required for 2014/15 about how this lost income is covered. This could be from further savings across the Council or from pass-through to claimants. To pass-through the costs to claimants would require amendments to the Scheme and, should this happen, these additional charges to claimants would come into effect at the same time the Universal Credit is fully implemented – April 2014.
- The impact of the proposed CTRS as set out above is based on current projections on the number and value of claims for 2013/14 – changes in these factors – reflecting the local economic climate may have implications for the costs set out.
- Council Tax Pass through - based on 91.5% maximum entitlement the amount passed-through to be recovered from Claimants is estimated to be around £1m. Although current Council Tax Collection Rates remain high (c97%) it is felt that there is a significantly greater risk with collecting this £1m pass-through as:
 - We will be collecting payments from claimants who have not previously been required to contribute to their Council Tax
 - The amounts to be collected are relatively small and collection powers are limited for many benefit claimants.

10. Policy and Performance Agenda Implications

The full Council must approve the final Council Tax Support scheme by 31st January 2013 otherwise the Council will have to adopt the Government's default scheme.

11. Background Papers and Consultation

Rotherham's Council Tax Reduction Scheme
Consultation Full Report

Rotherham's Council Tax Reduction Scheme - Equality Impact Assessment

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