

MAIDSTONE BOROUGH COUNCIL

CABINET

21 November 2012

REPORT OF DIRECTOR OF REGENERATION AND COMMUNITIES

Report prepared by Stephen McGinnes

Local Council Tax Discount Scheme

1. Issue for Decision
 - 1.1 To consider the local council tax discount scheme to be adopted following the withdrawal of the current national council tax benefit scheme from April 2013.
 - 1.2 To consider changes to the current discounts and exemptions applicable to empty and second homes to help mitigate the impact for the most vulnerable residents in our community of reduced Government funding for the council tax discount scheme.
2. Recommendation of Director of Regeneration and Communities
 - 2.1 That Cabinet recommend to Full Council that a local council tax discount scheme is adopted which introduces the following changes.
 - An 8.5% reduction in the rate of council tax benefit applicable to all working age households during 2013-14, whilst otherwise maintaining the structure of the current national scheme.
 - A 13% reduction in the rate of council tax benefit applicable to all working age households during 2014-15 & 2015-16, subject to the future demand and grant received for the scheme.
 - Removal of the 10% council tax discount awarded to owners of second homes from 1st April 2013.
 - A reduction in the period of exemption for vacant properties (class C) from 6 months to 1 month from 1st April 2013.
 - 2.2 That the Director of Regeneration and Communities, in consultation with the Cabinet Member for Corporate Services be given delegated

authority to make such changes as are necessary to maintain the operational effectiveness and viability of the scheme between 2013/14 and 2015/16.

- 2.3 That a substantive review of the scheme is undertaken in 2015/16, with any recommended changes to the scheme presented to Cabinet for implementation from 2016-17.

Reasons for Recommendation

3. Background

- 3.1 As part of the changes introduced through the Welfare Reform Act Bill the national scheme for council tax benefit will cease on the 31 March 2013 and be replaced by a new locally determined discount scheme.

- 3.2 Whilst the criteria for the new local scheme are to be decided locally, the Council is required to take account of the following factors:

- Overall funding by central Government is to reduce by 10%;
- Awards for Pensioners must be maintained at the current rate;
- Criteria should support the wider policy aims of making work pay;
- Duties under the Equalities Act;
- Requirement for the scheme to be adopted by 31 January 2013 and operational from 1st April 2013.

- 3.3 As a discount, the cost of the scheme has the effect of reducing the council tax base and thus affects all tiers of authorities including Major Preceptors. I.e. Kent County Council, Police and Fire and Rescue.

- 3.4 In addition to the changes within the benefit system, the Local Government Finance Act 2012 also provides new local discretion in relation to the discounts and exemptions provided for empty properties and second homes.

- 3.5 This includes the option to remove the current 10% discount that is provided for second homes and replace the current mandatory exemptions for the following categories of properties with a reduced level of discount:

- Properties that are empty and in need of substantial refurbishment or repair (Class A);
- Properties that are empty for up to 6 months (Class C);
- Properties where the mortgagee is in possession (Class L).

- 3.6 The Council will also have the option to charge an additional premium over and above the full rate of council tax for properties that have been empty for two years or more.

- 3.7 Whilst further work is required in relation to opportunities to be introduced through the Local Government Finance Act 2012, consideration has been given to how the changes could support and help mitigate the full impact of the changes to council tax benefit, whilst reducing the period that properties remain empty within the borough.
- 3.8 As a consequence, Kent County Council has been actively involved in coordinating a number of options, which have been modelled and discussed at officer level through the Joint Kent Chief Executives Group, Kent Finance Officers' Group and Kent Benefit Managers' Group and at Member level through the Kent Forum.
- 3.9 A summary of the options was presented to Cabinet in July 2012, see appendix A, with Option 6 recommended as the preferred scheme.
- 3.10 The scheme outlined within option 6 provided for a 13% reduction in current council tax benefit entitlements, whilst otherwise retaining the existing rules and criteria. It will also use the new discretion introduced through the Local Government Finance Act 2012 to remove the 10% discount provided for second homes and reduce the exemption for empty properties (class C) from 6 to 1 month.
- 3.11 Option 6 was identified as the preferred scheme on the basis that it supports:
- The policy aim of making work pay;
 - Low income households by mitigating the reduction in part;
 - The public interest by not adding to general level of council tax;
 - A reduction in the length of time that properties remain empty; and
 - A reduced risk to the council should the cost for the scheme increase, due to the undertaking provided by major preceptors.

4. Consultation

- 4.1 The Council has a statutory duty to consult on the proposed scheme in advance of making a decision.
- 4.2 In approaching the consultation a number of Kent Authorities engaged the Consultation Institute for advice and support in conducting the process. This has resulted in a robust approach to identification of key stakeholders and in planning consultation activity, with accreditation by the Consultation Institute to be sought at the end of the process.
- 4.3 A public consultation was undertaken between 6 August 2012 and 8 October to outline and seek views on three primary options set out below. Residents were also asked whether the Council should look to make other changes to the scheme and if so, whether the benefit of

those changes should be used to reduce further the proposed 13% reduction, target support for vulnerable groups or be used to help support people into employment.

- Option 1 - reduce benefit awards by 24.5% to reflect in full the reduction in government grant and protection of pensioners.
- Option 2 - reduce benefit awards by 18.5% and reduce the discount for empty homes from 6 months to 3 months.
- Option 3 - reduce benefit awards by 13%, reduce discounts for empty homes from 6 months to 1 month and remove the 10% discount for second homes.

- 4.4 A total of 786 responses were received. 671 responses were received to the postal survey, 103 surveys online and 12 responses provided in person.
- 4.5 A report of the consultation outcomes is provided as appendix B, with a summary of the findings detailed below.
- 4.6 The majority of respondents supported the Councils preferred scheme, identified within the consultation as option 3.

Q1 Which of the following options do you support - Overall		
Option	Total	%
Option 1 - reduce benefit by 24.5%	107	14.1%
Option 2 - reduce benefit by 18.5% & reduce empty home discount	63	8.3%
Option 3 reduce benefit by 13% & reduce empty & second homes discounts	366	48.2%
None of the options	223	29.4%
Grand Total	759	
No response to the question	27	

- 4.7 That response was consistent across all the customer groupings with the exception of respondents that own an empty or second home whose preference was option 1.

Q1 Which of the following options do you support - Second & Empty Homeowners					
Option	Yes		No		Total
Option 1 - reduce benefit by 24.5%	28	35.4%	72	11.1%	100
Option 2 - reduce benefit by 18.5% & reduce empty home discount	21	26.6%	36	5.6%	57
Option 3 reduce benefit by 13% & reduce empty & second homes discounts	22	27.8%	333	51.5%	355
None of the options	8	10.1%	205	31.7%	213
Grand Total	79		646		725
No response to the question					61

- 4.8 The response from ethnic groups and disabled people showed a higher proportion of respondents agreeing with none of the options.
- 4.9 The free text comments received as part of the survey response and feedback from consultation meetings, provided a consistent response in highlighting concerns regarding the impact of additional cost to low income households and accumulative impact of benefit changes on vulnerable customers groups such as the disabled.

Free text comments received as part of the survey	
Will Struggle if Removed / Concerned About Increase	28.1%
-Make Savings Elsewhere / Find Alternatives	20.1%
-Remove / Cut discounts for Second Homes	11.2%
-Remove / Cut discounts for Empty Homes	10.4%
-Discourage Dependency on Benefits / Help People Back to Work	10.1%

- 4.10 The proposed reduction from 6 months to 1 month for empty residential properties was highlighted by some as a concern in that it may not allow sufficient time for properties to be returned to the letting market as tenants vacate. It was also felt by some that low income households may have to choose between payment of rent or council tax, resulting in increased rent arrears.

5. Announcement of Transitional Arrangement

- 5.1 On the 18 October the Department for Communities and Local Government announced the introduction of a £100 million transitional fund to help Council's lessen the impact for residents in year 1.
- 5.2 It is important to note that the fund only applies to the first year with the Council required to meet certain criteria to qualify for any funding.
- 5.3 The funding criteria require that the Council's local scheme passes on an increase of no more that 8.5% in the first year for those currently receiving full benefit and provides for no sharp reduction in support for those entering work.
- 5.4 Should the council vary the proposed scheme to meet the criteria the additional funding to be provided through the transitional fund would be £239,445 for Maidstone. This is sufficient to meet the cost of varying the scheme in the first year from the proposed 13% to 8.5%.
- 5.5 The use of the transitional fund is supported by the major preceptors who have agreed to underwrite the cost of the scheme in the first year, should the Council make application for transitional funding and vary the criteria to meet the required 8.5%.

- 5.6 This change has been widely welcomed by Council's within Kent and is expected to form the basis of a county wide approach.

6. Alternative Action and why not Recommended

- 6.1 If the Council fails to adopt a local scheme a default scheme will be applied, mirroring the existing arrangements. With a 10% reduction in grant from Government that will result in additional cost of £1.3million to Maidstone Borough Council and major preceptors. Such a cost is unaffordable.

- 6.2 The Council could look to pass on the full reduction to working age residents in receipt of council tax benefit. However, with the Pensioner caseload protected this would equate a 24.5% reduction, £225 average cost for households affected, creating an unreasonable risk of financial hardship.

The funding of £239,445 available through the transitional fund would also be unavailable.

- 6.3 The Council could look to vary the percentage reduction in benefit through wider changes to the discounts and exemptions for empty properties, however, in doing so needs to balance the needs and impact on both recipients of council tax benefit and landlords / property developers.

The proposed scheme looks to achieve such a balance and is supported by the consultation response.

7. Impact on Corporate Objectives

- 7.1 The proposed changes have a significant impact on local communities, customers and value for money through the way in which the council manages public finances.

- 7.2 The changes proposed through the Welfare Reform Agenda and Local Council Tax Discount Scheme are aimed at providing greater work incentives, which has the potential to positively impact on the economic prosperity of those returning to employment as well as the wider community. The immediate implication of the change will be a reduction in the level of support and increased financial burden for individuals and families on low incomes.

- 7.3 The changes recommended to empty properties (Class C) and second homes recognise and support the council's wider aims to reduce the number of empty properties in the borough.

8. Risk Management

- 8.1 The level of grant to be provided for the scheme has yet to be confirmed and may vary from the estimates detailed within the report. Depending on the level of any variation the percentage reduction in benefit may require amendment in future years to avoid additional pressures being placed on the level of council tax or service provision.
- 8.3 Whilst the recommended option limits the impact of any variation in grant or cost should demand for the scheme increase, should that proposal not be implemented and an alternative option be selected the Council would carry the financial risk of such variations.
- 8.4 Any reduction in benefit will increase the risk of financial hardship for low income households, resulting in increased complaints and a reduction in the council tax collection rate. The Council will work with other agencies and partners to support those residents with money and debt advice services.
- 8.5 Given the late introduction of the Transitional Fund by the DCLG the council will be looking to implement a scheme in the first year which is different to the scheme on which it consulted. Given that the principle of the scheme has remained consistent and the proposed changes are in line with the responses provided to the consultation, this risk is held as low.

Other Implications

9. Financial	x
10. Staffing	x
11. Legal	x
12. Equality Impact Needs Assessment	x
13. Environmental/Sustainable Development	
14. Community Safety	
15. Human Rights Act	x
16. Procurement	
17. Asset Management	

i. Financial

The estimated grant for 2013/14 is £9,583,000 against an estimated requirement of £10,949,000. The shortfall of £1,366,000 will place an additional cost of the Council and precepting authority as follows:

Maidstone Borough Council	£ 205,000
Kent County Council	£ 970,000
Kent Police	£ 123,000
Kent Fire and Rescue	<u>£ 68,000</u>
	£1,366,000

If the Council adopts the recommended scheme this shortfall and any additional cost should the demand and cost of the scheme increase will be met through the outlined changes and precepting authorities.

Whilst the Council will endeavor to collect any additional council tax it is expected that there will be a lower percentage of collection due to the financial pressures on households in receipt of Council Tax benefit, which will require increased recovery action.

DCLG are yet to confirm whether Parish Councils will be protected from any change to their precept, but it is anticipated that any cost to Parishes will be shared by the Borough council and major preceptors.

ii. Staffing

The reduction in government grant and corresponding reduction in the proposed local council tax discount scheme will increase the overall level of council tax to be collected by the Council in the region of £1.3 million.

To account for the additional work involved in the billing, recovery and customer enquiries generated it is estimated that an additional 4 full time equivalent staff will be required. With the Revenues and Benefits service operating in partnership with Tunbridge Wells Borough Council the additional cost to Maidstone Borough Council is estimated at £85,000.

This additional cost will be met in full through a joint contribution by Kent County Council, Kent Fire and Rescue and Kent Police should the Council agree to the recommended scheme.

iii. Legal

The legal implication of the change is covered within the body of the report.

iv. Equality Impact Needs Assessment

An equality impact assessment has been undertaken and demonstrates that people in receipt of council tax benefit with disabilities, carers and families with children receive a level of benefit higher than the average of people without those characteristics.

That is because people with those characteristics receive additional allowances within the calculation of their benefit and have certain types of income disregarded to recognise their needs.

The proposed scheme will maintain that range of additional allowances and income disregards for people with those characteristics and apply a consistent percentage reduction to the benefit award for all people of working age.

In doing so the level of financial reduction will vary dependent on the level of benefit entitlement, with those households receiving a higher level of benefit experiencing a greater impact than those receiving less benefit. As people with disabilities, carers and families with children receive on average a higher level of benefit for the reasons set out above, the changes will have a greater impact on those households.

Whilst the results from the consultation support the view that a majority of people, including those with a disability, support the recommended approach, a higher percentage of people with those characteristics stated that they agree with none of the options listed.

A copy of the full equality impact assessment is provided as appendix C.

v. Human Rights Act

The proposed changes have the potential to materially impact on individuals and families through the reduced support available in the form a Local Council Tax Discount.

Consideration has therefore been given regarding the impact on Human Rights with particular emphasis given to the impact on; respect for private and family life, protection from discrimination and protection of property.

The proposed scheme is considered to provide the appropriate balance in supporting those residents requiring support through the scheme and the wider public interest of residents and services within the borough.

Conclusions

The Council has been asked to design and implement a local discount scheme to replace the existing national council tax benefit scheme, whilst reducing cost, maintaining protection for the vulnerable and reducing benefit dependency.

The proposed scheme balances these requirements by reducing the impact of the change for low income households, without passing on a wider increase in council tax to the general taxpayer of Maidstone.

Relevant Documents

Appendices

- Appendix A – Options report to Cabinet
- Appendix B – Consultation output report
- Appendix C – Equality Impact Assessment

Background Documents

None

<u>IS THIS A KEY DECISION REPORT?</u>			
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
If yes, when did it first appear in the Forward Plan?			
This is a Key Decision because:			
Wards/Parishes affected:			