

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

2 October 2013

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision

1 COUNCIL TAX REDUCTION SCHEME 2014/15 AND POSSIBLE CHANGES TO COUNCIL TAX DISCOUNTS AND EXEMPTIONS

A report seeking Members' views on the operation of the Council's current council tax reduction scheme for the year 2014/15 and whether there should be any amendment to the current council tax exemptions and discounts for the year 2014/15.

1.1 Introduction

1.1.1 As Members will be aware, Council adopted, at its meeting on 21 November 2012, a council tax reduction scheme for the Tonbridge and Malling area. The scheme that we have adopted will continue to operate, all other things being equal, until such time as we wish to amend it.

1.1.2 However, in respect of each financial year (in this case 2014/15) the Council must consider whether it wishes to revise its scheme or replace it with another scheme. If the Council wishes to revise its scheme, it must make any decision to do so before 31 January 2014. Importantly, if the revision has the effect of reducing or removing a reduction available under the scheme, the Council must include such transitional provision (protection) as it sees fit.

1.1.3 Furthermore, if the Council proposes to revise its scheme, it must consult on its proposed revisions. As Members will appreciate, if consultation becomes necessary, time for the consultation must be allowed for in order to meet the deadline of 31 January (see above).

1.1.4 From the foregoing, Members will see that the following matters must be addressed:

- 1) Is the Council minded to revise the current council tax reduction scheme?
- 2) If the Council is minded to revise the scheme, does the revision remove or reduce a reduction available under the scheme?

- 3) If the revision does remove or reduce a reduction, does the Council wish to include any transitional provision?
- 4) If consultation becomes necessary, what form should that consultation take?

1.1.5 The above questions are addressed in the following paragraphs.

1.2 Revision of the current council tax reduction scheme

1.2.1 To refresh Members' memories, our current scheme has the following features:

- It is an ongoing scheme, i.e. its format, and the assistance that it provides to claimants, will remain the same until Members decide to amend it.
- Entitlement to a reduction under the scheme is calculated in the same way as we used to calculate entitlement to council tax benefit. However, the resultant entitlement of the claimant is reduced by 18.5%.
- The scheme relates only to claimants of working-age. Non working-age claimants are treated in the same way as they would have been under the former council tax benefit scheme, i.e. they do not suffer the 18.5% reduction from their resultant entitlement.
- For the year 2013/14 only, the reduction of 18.5% was offset by a transitional grant from the government. The grant enabled us, after providing some funding ourselves, to lower the reduction of 18.5% to 8.5%.
- The current scheme is ongoing and is 'underpinned' by the Kent-wide agreement, which Council acknowledged and accepted last November. The agreement recognises that all the Kent districts will seek to have a common 'platform' for their reduction schemes. In return, the major precepting authorities (Fire, Police and the County) agreed that each district would:
 1. be paid an 'administration fee' of £125,000 each year, for three years, to assist with the costs of delivering and managing the scheme; and
 2. be reimbursed reasonable administrative costs associated with an increase in caseload of greater than 15%.

1.2.2 As Members will have noted from the above, our scheme provides the same level of financial assistance to claimants as that available under the previous council tax benefit scheme less a final reduction of 18.5%.

1.2.3 However, **for the year 2013/14 only**, the reduction of 18.5% has been lowered because of the Government's decision to provide **transitional funding**, to 8.5%. Members will recall that this transitional funding was made available to local authorities whose schemes met certain criteria. As reported to Cabinet on 19

November 2012, and quoting directly from the government's announcement:
"The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. This funding will enable councils to explore more sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers".

- 1.2.4 Members may recall that, when it was agreed that an application for the transitional grant should be made, it was acknowledged that potential sustainable options for minimising the impact on taxpayers would need to be explored (Minute C12/089 of the meeting of Full Council on 21 November 2012 refers).

1.3 Current operation of the scheme

- 1.3.1 I am unaware of any major difficulties with the scheme as it has operated so far this financial year. As Members might recall from my report on this subject to Cabinet last November, when we consulted on our draft scheme for 2013/14 we consulted on the basis that entitlement under the scheme would be reduced by 18.5%. It was only after the consultation had closed that the transitional funding scheme was announced by the Government.
- 1.3.2 It is worthwhile noting that the results of the consultation showed that overall there was more support for Option 1 in the consultation (an across-the-board reduction of 18.5%) than for Option 2 (the protection of some groups).
- 1.3.3 We cannot, of course, say with any certainty what the effect of the 18.5% reduction would have been because, after the transitional funding was taken into account, the reduction actually suffered by the claimants under our scheme was only 8.5%. However, I can say that the reduction of 8.5% seems to have been generally accepted, as is demonstrated by the council tax collection figures to the end of August, which are shown in the Revenues Update report elsewhere on the agenda for today's meeting. It would seem that **other cuts under the welfare reform agenda have had a far greater impact on claimants**, e.g. the 'bedroom tax'.

1.4 Case for change?

- 1.4.1 Subject to the views of Members, it appears to me that there is not a compelling case to revise our scheme because:
- a reduction of 18.5% was generally supported by consultees;
 - the Kent-wide agreement, and the funding that is incorporated within it, is predicated on the understanding that all the Kent districts will have a common 'platform' for their reduction schemes; and
 - the interim reduction of 8.5% has not, to my knowledge, had major adverse effects.

1.4.2 It is probably worthwhile at this point to put the above into context. In my report last November, I presented Members with tables, which showed the average, weekly loss of support for a claimant in each of the council tax bands; the number of claims in each of those bands etc. That information is reproduced below..

Weekly Difference per band			
Band	Average Loss at 18.5%	Average Loss at 8.5%	Number of Claims
A	£2.58	£1.18	310
B	£2.97	£1.36	576
C	£3.38	£1.55	1952
D	£3.73	£1.72	779
E	£4.53	£2.08	229
F	£5.14	£2.36	69
G	£5.64	£2.59	32
H	£9.02	£4.14	2
			Total claims 3949
Difference per week by amount	18.5% reduction (number of claims)	8.5 % reduction (number of claims)	
£0 - £0.99	181	515	
£1 - £1.99	263	2497	
£2 - £2.99	741	901	
£3 - £3.99	1647	31	
£4 - £4.99	777	5	
£5 - £5.99	253		
£6 - £6.99	62		
£7 - £7.99	17		
£8 - £8.99	7		
£9 - £9.99	0		
£10 - £10.99	1		

1.4.3 As Members will see from the above table, our claims are concentrated in Bands B to D, with almost 50% in Band C. Approximately 91% of claimants suffer a maximum reduction, at 18.5%, of £4.99 per week, with a majority (72%), suffering a maximum reduction of £3.99 per week.

1.4.4 I am nevertheless aware that, irrespective of the above, those on very limited incomes will still struggle to pay what is required of them: a reduction of, say, £3.50 per week results in an additional annual amount of £182.00. That said, two points can help to address this to a degree.

1.4.5 Firstly, council tax payers now have the right to request payment by twelve monthly instalments, which, in the case of the 'example' bill for £182.00, would mean monthly instalments of just over £15.00.

- 1.4.6 Secondly, although we are no longer allowed to make discretionary housing payments to assist residents with the payment of council tax, the payments that they are required to make can be taken into account when assessing a claimant's ability to pay their rent. If they face financial difficulty on that front, then a discretionary housing payment may be made.
- 1.4.7 Members might also wish to take account of the other Kent districts' plans for their reduction schemes for 2014/15. My understanding from discussions with the other districts operating 'the Kent-wide scheme' as referred to in paragraph 1.2.1, is that they are minded to retain schemes that resulted in an 18.5% reduction in benefit.
- 1.4.8 If Members are not minded to revise the Scheme for any of the reasons outlined above, it is important to recognise that as we move into a new financial year, it will nevertheless need to be 'refreshed' to reflect data relevant to the new financial year. The 'refreshed' Scheme will need to be published again on our website.

1.5 Financial Assessment

- 1.5.1 If Members feel that they do not wish to revert to 18.5%, it would be necessary for us to find alternative ways of funding a lower reduction. This could be:
- from the provision of an additional budget within the Council's general fund
 - or, by further changes to the level of council tax discounts/exemptions.
- 1.5.2 Members will be very aware of the Council's budget position and the requirement, because of reductions in the level of government grant, to make ever greater budget savings. In my report to this Advisory Board on 28 August, I advised Members that an 'early assessment' of the impact of the Spending Review showing that the first tranche of the overall savings target needed to increase immediately from £900k to £1.1m.
- 1.5.3 Therefore, I do not believe that, without further budget savings forthcoming over and above those we have already planned, it is feasible to consider funding a smaller council tax reduction figure from the Council's general fund.
- 1.5.4 We could, as I have mentioned, amend the level of certain council tax discounts and exemptions, to generate additional revenues in order to offset the costs of a smaller reduction. For example, Members agreed previously (effective from 1 April 2013) to reduce the exemption period for Class C dwellings (those that are empty in the short term) from 6 months to three months. Consideration could be given to reducing the exemption period further and thereby generate additional revenue. Members might well consider, given the further financial impacts arising from the Spending Review, that they would prefer to use the additional income from possible amendments of discounts/exemptions to assist the Council's base budget. This issue is explored in more detail later in this report at paragraph 1.8.

1.5.5 Whether or not Members chose to continue with a scheme that applies an 18.5% reduction to the calculation of support, my reading of the legislation is that the Council will have to consider whether to introduce **transitional protection** for claimants faced with receiving less support in 2014/15. This is because, although our scheme is for a reduction of 18.5%, because we accepted the Government's transitional funding for 2013/14, the reality is that to continue with the 18.5% reduction in 2014/15 means an actual loss of support of 10% when the transitional funding is factored in. For all the reasons set out in this paragraph, although Members must consider whether to provide transitional funding, I do not consider that it is feasible to do so unless savings can be found elsewhere.

1.6 Social Fund

1.6.1 One **alternative** 'option' to transitional protection which is perhaps worthy of further investigation/ discussion in order to assist those who will be affected by the 'move from a 8.5% to 18.5% reduction, is a suggestion made by Kent County Council officers regarding the potential future use of the Social Fund.

1.6.2 The Social Fund, which is administered as the **Kent Support and Assistance Service** by the County Council, is a fund designed to help residents who are having serious difficulties in managing their income or facing exceptional pressures as a result of an emergency or crisis.

1.6.3 Presently, KCC's policy is that support is not offered in cash but can provide those in extreme need with essential groceries, items of clothing, goods for young children, household appliances and re-used furniture and household items (such as bedding). Preliminary discussions with Kent County Council officers suggest that they would be **open to a dialogue** about utilising part of the Social Fund to support those residents who, for exceptional reasons by way of financial hardship, are unable to meet their **Council Tax liability**; in particular where the liability has increased due to a loss of transitional protection.

1.6.4 I understand that further 'discussion' in this regard would be subject to more analysis being undertaken, it being a common scheme across Kent and districts being involved in the administration of the applications. I certainly think this is worthy of further investigation and propose that I be authorised to enter into further discussions with Kent colleagues.

1.7 The Need for further Consultation?

1.7.1 The Local Government Finance Act 1992 requires us to consult if we are revising our scheme and the revision has the effect of reducing or removing a reduction to which a person is entitled under the scheme.

1.7.2 It is worth reiterating that the Scheme adopted by Council was always for an 18.5% deduction from entitlement. For 2013/14, due to the receipt of specific funding from government, 'transitional protection' was provided to reduce the liability for those residents affected; and this transitional protection could be

argued to 'sit' outside of the scheme. It is my view, therefore, that the cessation of that funding does not affect the scheme that we adopted and a further formal consultation exercise is not required.

- 1.7.3 That having been said, from a practical point of view it is incumbent upon us to ensure that those residents who will be affected are fully aware, in advance, of the changes to come. I shall, therefore, that an informal 'information campaign' is managed via the Council's website, and for example, notices with letters/correspondence.

1.8 Council tax exemptions and discounts

- 1.8.1 I mentioned at the very beginning of this report that Members would need to consider and give their views on whether there should be any amendment to the available council tax discounts and exemptions. There are three areas in which Members have discretion to amend the discounts/exemptions:

- 1) The discount available to owners of second homes and owners of long-term, empty properties;
- 2) The exemption available to the owners of vacant and substantially unfurnished properties for up to six months (Class C);
- 3) The exemption available to owners of properties that are uninhabitable or undergoing repair for up to one year.

Each of the above is explored in more detail below.

1.8.2 *Second homes and long-term empty properties*

The owners used to benefit from a 10% discount. However, Members agreed in November 2012 that the discount should be reduced to 0%. The additional income generated was used to fund in part the temporary reduction, this year, from 18.5% to 8.5% (the Government's transitional grant did not meet the full cost). **There is no scope to reduce the discount further.**

1.8.3 *Vacant and substantially unfurnished properties (Class C)*

These properties were previously exempt from council tax for a maximum period of six months and Councils had no discretion over the exemption. Last year the Government amended the legislation. Such properties no longer qualify for an exemption: instead they can qualify for a discount of up to 100%. Councils have the ability to determine the level of the discount and the length of time for which it applies. Last November Council resolved that the level of discount should be set at 100% for a maximum period of **three months**. This decision formed part of the Kent-wide agreement referred to earlier in this report.

Notwithstanding the decision to move to 100% discount for three months only, I did give the undertaking to Members that we would review discounts over which

we had discretion. Therefore, I have considered whether there is scope to further reduce the period for which a discount is given. The reduction of the 'no charge' period from six months to three months has provoked little adverse public reaction and thus **I do not think we can rule out reducing the period of no charge further**. Reducing the period of the discount from 3 months to 2 months would generate additional (total) council tax income of £41,110. Reducing the period of the discount from 3 months to 1 month would generate additional (total) council tax income of £98,375. The additional income would, of course, not be solely ours but would have to be shared with the precepting authorities. TMBC's share of the overall council tax is 15%, and so this % would need to be applied to the figures above in order to assess just how much would be directly "due" to TMBC.

1.8.4 *Properties that are uninhabitable or undergoing repair*

These properties were previously exempt from council tax for a maximum period of one year. Last year the legislation was changed and the exemption was replaced with a discount. Councils were permitted to grant a discount of 0% to 100%. Members decided that, with all the other changes that were occurring, they would retain the value of the exemption and award a discount of 100%. However, I undertook to research the financial effect of moving to a lower rate of discount. I can now inform Members that if we were to move to a 75% discount, the additional council tax raised (in total – not TMBC's share) would amount to £24,569. A move to a 50% discount would produce additional income of £49,137. In other words, each reduction of 1% in the rate of discount produces additional income of approximately £982. As in the example above, the additional income would, of course, not be solely ours but would have to be shared with the precepting authorities. .

Members might wish to bear in mind that too greater a reduction in the discount might be counter-productive. For instance, if the discount were lower than 25% it would be to the tax payer's advantage to say that the property was occupied by one person and to then claim the 25% single occupancy discount.

1.8.5 *Premium on long-term empty properties*

Councils have the discretion to charge a council tax premium of up to 50% if a property has been empty for longer than two years. If we were to do that, we would produce additional (total) council tax income of £82,444. However, as with any additional income in respect of uninhabitable properties, that income would have to be shared with the precepting authorities. Applying the 15% share for TMBC, the additional revenue would be £12,366. As Members will appreciate, the higher the charge, the more council tax payers will seek ways to avoid paying the charge. Therefore, as other authorities have found, the predicted income from a premium is not always realisable!

1.8.6 *Other Kent authorities*

Members may recall that it was agreed, last year, that any further review of discounts/exemptions would be deferred pending feedback from the experiences of others within Kent.

Feedback from other Kent districts in respect of what they have done on discounts and exemptions is attached at **[Annex 1]**.

- 1.8.7 Members may also recall that KCC offered, in a letter dated 18 October 2012 from the Cabinet Member for Finance and Business Support (see Annex 4 to the report to Cabinet 19 November 2012) , to share with districts 25% of any additional revenues generated for the County Council. By way of example, and purely for illustration, should Members decide to reduce the discount for ‘uninhabitable’ properties to 75% (see paragraph 1.8.4), TMBC could potentially receive additional revenue of £8,035 being made up of TMBC’s own share (15% x £24,569=£3,685) plus 25% of KCC’s share (£4,350)
- 1.8.8 Members are asked to consider whether any further amendments to discounts and exemptions should be made in preparation for the new financial year 2014/15. Due regard does, of course, need to be made to the ‘equality impacts’ on any changes. If the Advisory Board is minded to make any such recommendations to Cabinet, details will be provided to Cabinet at its meeting on 9 October of the potential impacts (if any).

1.9 **Legal Implications**

- 1.9.1 The Council, in accordance with the provisions of Schedule 1A to the Local Government Finance Act 1992 (inserted by Schedule 4 to the Local Government Finance Act 2012), determined a council tax reduction scheme which came into effect from 1 April 2013.
- 1.9.2 The basis of the agreed Scheme was that *‘entitlement to a reduction under the scheme is calculated in the same way as we used to calculate entitlement to council tax benefit. However, the resultant entitlement of the claimant is reduced by 18.5%.’* For 2013/14, however, transitional protection was offered making the resultant entitlement of the claimant reduced by 8.5%.
- 1.9.3 All other things being equal, the Scheme will revert in 2014/15 to a reduction in entitlement by 18.5%. It is my opinion that there is no need to consult on this change, but it is necessary to ensure that those who may be affected are fully aware of the change prior to the start of the new financial year.

1.10 **Financial and Value for Money Considerations**

- 1.10.1 As set out above.

1.11 Risk Assessment

1.11.1 There is a risk that we might be challenged because we have not 're-consulted' following the cessation of the transitional period.

1.12 Equality Impact Assessment

1.12.1 See 'Screening for equality impacts' table at end of report.

1.13 Recommendations

1.13.1 Members are **RECOMMENDED** to :

- 1) Consider whether further 'transitional protection' should be offered in 2014/15 in respect of the Council Tax Reduction Scheme;
- 2) If no further transitional protection is feasible for 2014/15, confirm that the Scheme should revert to the original proposals – i.e. that 'the resultant entitlement of the claimant is reduced by 18.5%';
- 3) On the basis that the Scheme is not to be revised, refresh the existing council tax reduction scheme in preparation for the financial year 2014/15 and publish accordingly;
- 4) Authorise the Director of Finance & Transformation to enter into further discussions with Kent County Council and Kent District Council colleagues regarding the future potential use of the 'Social Fund' with regard to council tax liability;
- 5) Consider whether any further amendments to discounts and exemptions should be made in preparation for the new financial year 2014/15.

Background papers:

Nil

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Director of Finance & Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	N/A	No decision will be made at this meeting. Any recommendations will be made to Cabinet. If recommendations are made for change, details of potential impacts will be provided to Cabinet at its meeting on 9 October to assist Members in a decision.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	As above
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.