

## Central Bedfordshire Council

### Corporate Resources Overview and Scrutiny – 29 November 2018

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#### **LOCAL COUNCIL TAX SUPPORT SCHEME 2019/20**

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**This report relates to a Key Decision**

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#### **Purpose of this report**

1. The purpose of the report is for the Committee to review and comment on the Council's Local Council Tax Support Scheme for 2019/20; and
2. Review and comment on the proposal, subject to the necessary parliamentary legislation, that the current 50% Empty Homes Premium as applied across Central Bedfordshire will be increased to 100% premium.

#### **RECOMMENDATIONS**

The Committee is asked to:

- 1. Review and comment on the Local Council Tax Support Scheme for 2019/20.**
- 2. Review and comment on the proposal to increase the current 50% Empty Homes Premium to 100% with effect from 1 April 2019.**
- 3. Make any recommendations to Executive arising from this review.**

#### **Background**

3. The Welfare Reform Act 2012 abolished Council Tax Benefit. Under the Local Government Finance Act 2012 local authorities had to design their own Local Council Tax Support scheme (LCTS) for working age customers and administer the national Council Tax Support scheme for pensioners. There were certain limitations on what local authorities

could include in their schemes, for example, pensioners were protected.

4. Using the reduced money available, local authorities were required to design, consult upon and implement their own local scheme to replace the previous national scheme. However, despite the then 10% cut in the total funding, the Government required local authorities to protect claimants of pension age (approximately 44% of CBC claimants).
5. In January 2018 Council approved a Local Council Tax Support scheme for Central Bedfordshire for the financial year 2018/19. The scheme remained the same as that for 2017/18 and mirrored the previous entitlement under the old Council Tax Benefit system for all claimants except for:

- All working age claimants who do not fall into one of our vulnerable protected groups, shown below, are required to make a 25% payment of their Council Tax liability.

**Vulnerable groups:**

- a) Claimants receiving any of the disability premiums or a Disabled Earnings Disregard
- b) Claimants receiving Disabled Person's Reduction for Council Tax purposes
- c) Claimants receiving War Disablement Pension or War Widows Pension
- d) Single claimants receiving Carer's Allowance or receiving Carer's Allowance and have a partner who is also receiving Carer's Allowance
- e) Lone parent claimants with a child under the age of 5

The qualifying benefits for Local Council Tax Support protection are:

- f) Attendance Allowance
- g) Constant Attendance Allowance
- h) Disability Living Allowance
- i) Personal Independence Payment
- j) Long Term Incapacity Benefit
- k) Severe Disablement Allowance
- l) The Support component of Employment and Support Allowance
- m) A Disabled Worker Element of within Working Tax Credit
- n) A Disabled Child Element with Child Tax Credit
- o) The Mobility Supplement of a War Pension

- The removal of the Second Adult Rebate.
- The rate of Non-dependant deductions increased.

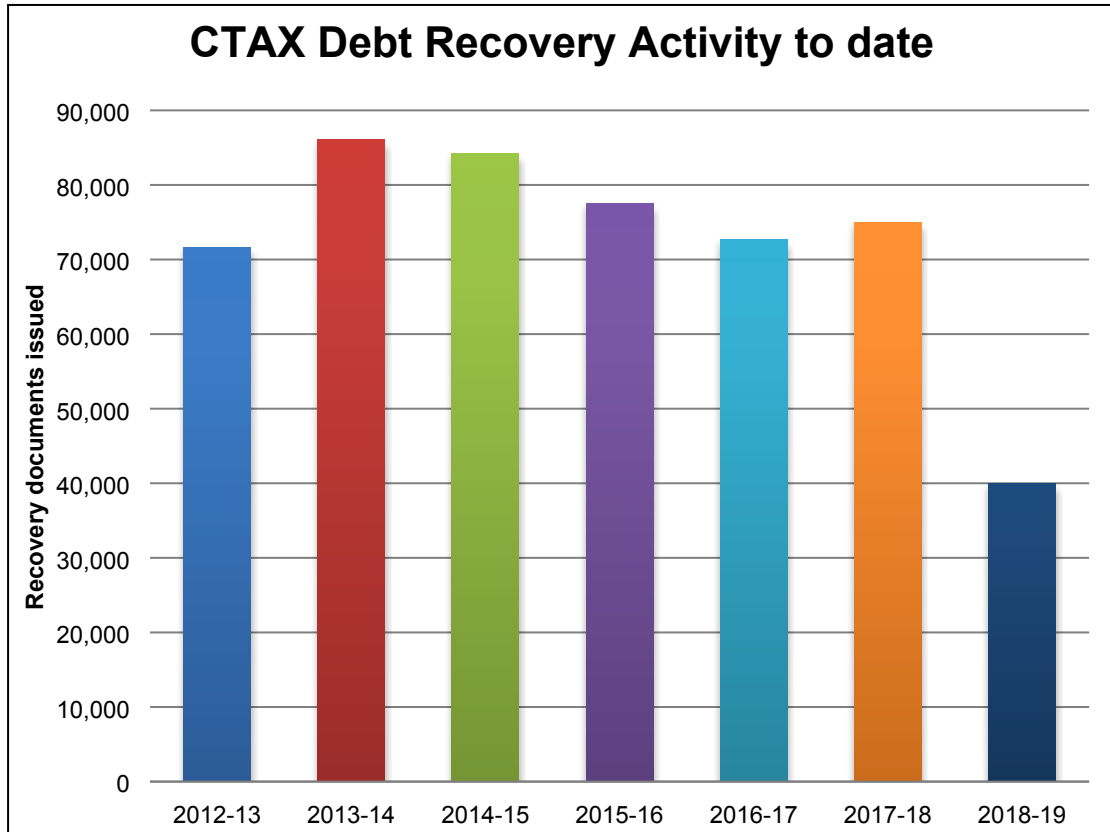
Pensioners have not seen any change to the support they receive.

6. The intention of the Central Bedfordshire Council scheme was to reduce the amount of Local Council Tax Support discount awarded from that paid under the previous Council Tax Benefit scheme to take into account the reduction in funding from Central Government. The current scheme ensures that every Council Tax payer pays at least 25% of their Council Tax bill unless they are a pensioner or they fall within one of our protected groups of claimants.
7. The current legislation states that Council Tax Support schemes must be reviewed by Members each financial year and approved by full Council no later than the 11 March preceding the start of the new financial year.
8. If there are changes to the current scheme, legislation states that these changes must be consulted upon. Minor changes such as uprating of premiums and applicable amounts are exempt from this consultation process.

### **Impact of Local Council Tax Support Scheme on Collection Rates**

9. Central Bedfordshire Council collection performance for 2017/18 reduced slightly compared to the previous financial year. An in-year Council Tax collection rate of 97.95% was achieved which was a 0.05% reduction on 2016/17 levels. Collection rates for the first 6 months of the 2018/19 financial year are slightly down on the same period in 2017/18 which is mainly due to more and more residents choosing to pay their liability over 12 monthly payments which is continuing to affect our profiled income targets. This should not affect the full year collection rate, as it is a matter of timing.
10. The average collection rates for unitary authorities in 2017/18 were 96.9%, a reduction of 0.1% compared to 2016/17, and for all councils 97.1% in 2017/18. Central Bedfordshire therefore performed better than average on both measures.
11. In 2017/18 local authorities collected a total of £28.0 billion in Council Tax, irrespective of the year to which it related. This was an increase of £1.4 billion, or 5.2%, over 2016/17. During 2017/18, local authorities collected £602 million in council tax arrears and wrote off £170 million of uncollectable Council Tax.
12. In 2017/18 a total of 74,886 debt recovery documents were issued which was a 3% increase on 2016/17 levels. This increase can be attributed to our growing tax base (number of households). 10,082 Magistrates Court summonses were issued in 2017/18, an increase of 1,864 or 23% on 2016/17 levels. In 2017/18 the Council's Revenues Team dealt with about 48,800 phone calls from residents regarding payment of their Council Tax liability, an increased volume of about 2% on 2016/17 levels.

13. The chart below illustrates the level of Council Tax debt recovery activity from 2012/13 to 2018/19. Most of the increased debt recovery activity in 2013/14 can be attributed to the introduction of our LCTS scheme. The activity levels for 2018/19 are as at 30<sup>th</sup> September 2018.

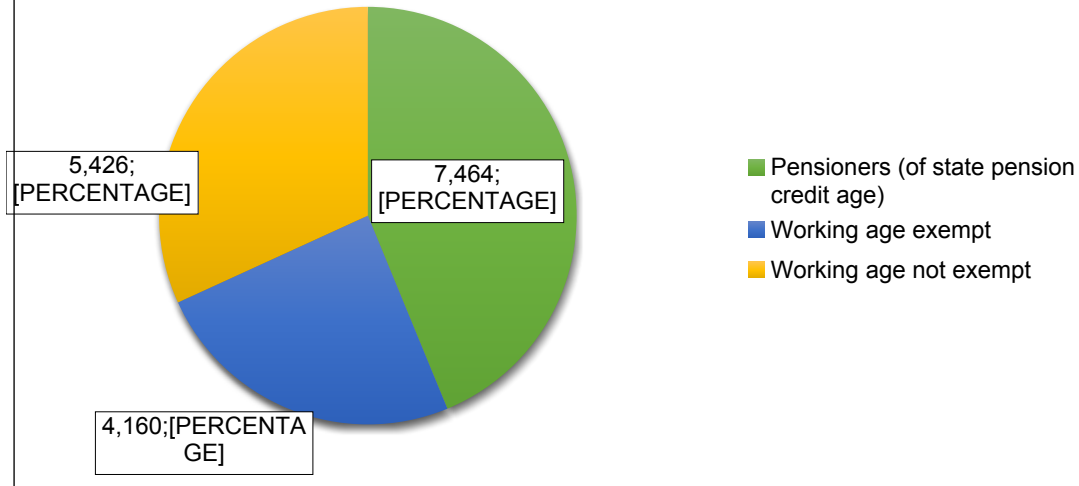


14. In 2017/18 Council Tax totalling £179.3m was collected compared to £168.9m in 2016/17, which was an increase of £10.4m. This reflects the growing tax base (number of households) and the increased levels of Council Tax charged. The average Council Tax charge in 2017/18 was £1,795. The average charge for 2018/19 is £1,876.

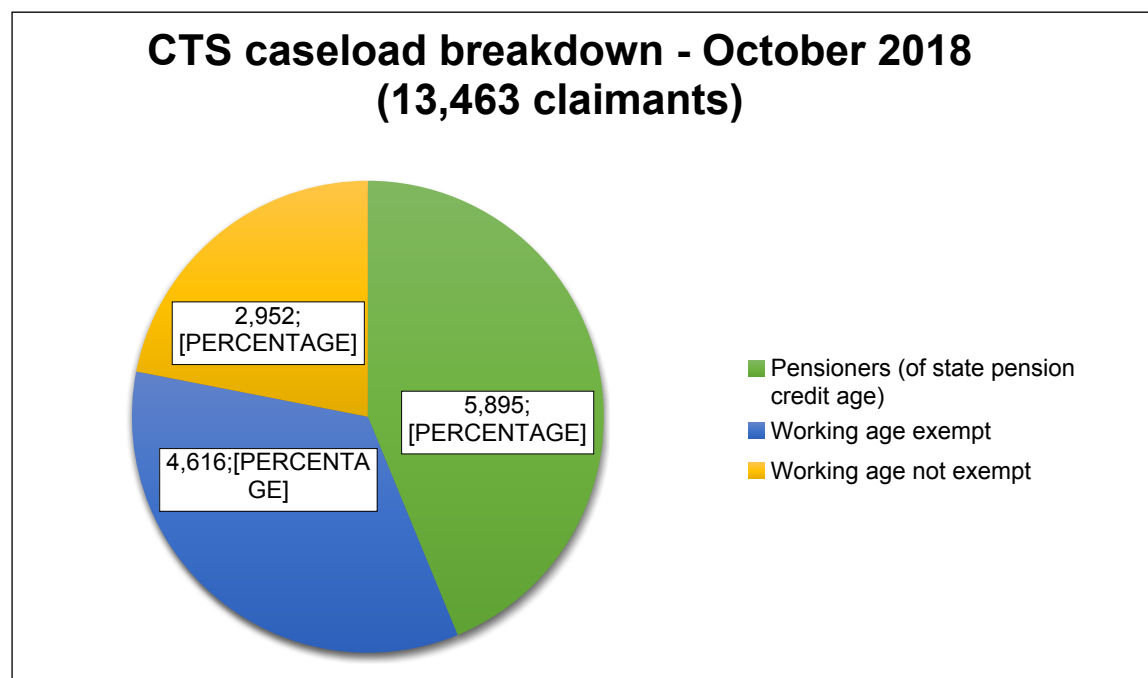
### **The Current Central Bedfordshire Council Scheme**

15. Since the introduction of Local Council Tax Support the number of Central Bedfordshire Council claimants receiving LCTS has dropped by 24% or 4,204 claimants, from 17,667 in April 2013 to 13,463 in October 2018.
16. The case load can be separated into three distinct categories of claimants, Pensioners, Protected working age claimants and Non-Protected working age claimants who are required to pay a minimum of 25% of their Council Tax liability.
17. The charts below illustrate how the number of claimants in these three categories has changed since the scheme was introduced.

### CTS caseload breakdown - July 2013 (17,050 claimants)



### CTS caseload breakdown - October 2018 (13,463 claimants)



18. The number of pensioner claimants has reduced by 1,569 cases or 21%, working age exempt (protected) claims have increased by 456 or 11% and working age not exempt (required to pay 25%) have reduced by 2,474 or 46%.
19. The overall reduction in claimants can in the main be attributed to the improved economic climate although this does not explain the increase in working age exempt cases. Several other Councils in our benchmarking group have seen similar increases in their exempt

cases, although there are no hard facts available to explain the increase.

### **The proposed scheme for 2019/20**

20. It is proposed that the current scheme be readopted for 2019/20 with no changes being proposed. The personal allowances and premiums used in the calculations of Local Council Tax Support will continue to be aligned to the allowances and premiums used by the DWP in the award of state benefits.

### **Increase in Council Tax Empty Homes Premium – Reason for Recommendation**

21. Under the Local Government Finance Act 1992 Councils were given flexibility around the Council Tax charged on second homes, empty dwellings and other technical changes. This included replacing certain previous exemption classes with discounts, the amount of which would be for the billing authority to determine.
22. To provide an incentive to landlords to ensure properties are occupied as soon as possible, Central Bedfordshire Council took a decision to remove all discounts on empty properties and to apply a 50% Council Tax premium to all properties that have been empty and unfurnished for 2 years or over. The premium is in addition to the usual Council Tax charge that applies to the property.
23. The premium cannot apply to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property.
24. A total of 291 out of 326 Councils applied an Empty Homes Premium in 2017 to 2018. All but 3 are charging the premium at the maximum 50% rate.
25. In the November 2017 Budget the Chancellor announced the Government's intention to bring forward legislation to increase the maximum premium on the normal level of Council Tax to 100% on long term empty properties. Such properties are defined as those that have been unoccupied and substantially unfurnished for over 24 months.
26. It is anticipated that Councils will be able to charge 100% premiums from April 2019, 200% premiums from April 2020 for homes that have been empty for between 5 and 10 years and 300% premiums from 2021 for homes empty for 10 years or more. The necessary legislation is due to be laid by Government later in 2018/19.
27. The number of properties that have been subject to the 50% Empty Homes Premium is shown below together with an estimate of the amount of additional Council Tax that might be raised as a result of imposing the 100% premium from April 2019.

<b>Financial Year</b>	<b>No. of Properties Subject to the Premium</b>	<b>Additional Council Tax Raised</b>
2013/14	380	£169,104
2014/15	316	£146,296
2015/16	287	£135,654
2016/17	273	£145,534
2017/18	226	£165,547
2018/19	186	£165,215
2019/20	150	£266,000

28. Consultation on changes to the level of the Empty Homes Premium is not technically required which has been confirmed by MHCLG and we did carry out a consultation in 2012 when the original Empty Homes Premium was being considered.
29. Council Tax policies need to be approved before the start of the financial year and incorporated within the Council's annual tax base calculation. The earliest any changes to the Empty Homes Premium could be implemented is from 1<sup>st</sup> April 2019 onwards.

## **Background**

### **Options for consideration**

30. None.

### **Reasons for decision**

31. So that Full Council can endorse the Central Bedfordshire Council Local Council Tax Support scheme. If the scheme is not approved by 11 March 2019, the Council will have to award Local Council Tax Support in accordance with the Government's default scheme which will result in the cost of the scheme significantly exceeding that of the Local Council Tax Support scheme.
32. So that the Council Tax Discretionary Discounts Policy can be updated to increase the level of premium applied to all property that has been empty and substantially unfurnished for over 2 years to 100%.

### **Reason for urgency**

33. None.

### **Council Priorities**

34. By protecting vulnerable and elderly people as well as providing incentives to work, the proposed Local Council Tax Support (LCTS)

scheme and the Council Tax Discretionary Discount Policy is designed to support the Council's Medium-Term Plan priorities of:

- Protecting the vulnerable and improving wellbeing
- Improving education and skills

### **Corporate Implications**

#### **Risk Management**

35. The transfer from Council Tax Benefit to localised Council Tax Support means the impact of increased demand and cost will be a risk for all preceptors.
36. The Council and its precepting partners, the Police and Fire authorities, will need to monitor closely local social and economic changes and ensure there is a consideration of the impact of possible future shortfalls in funding.

#### **Staffing**

37. The introduction of a local CTS scheme has led to a significant increase in the number of residents who have contacted the Council. These contacts have mainly been to the Revenues and Benefits teams and Customer Services.

### **Legal Implications**

38. The Local Government Finance Act 2012 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (as amended) states that for each financial year, Councils must consider whether to revise their Local Council Tax Support scheme or replace it with another scheme and that such decisions need to be made by 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make a Council Tax Support scheme by 11 March 2019, a default scheme will be imposed on the Council which will be effective from April 2019.
39. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill had its third reading in the House of Lords on 18<sup>th</sup> July 2018.

### **Financial Implications**

40. The gross Local Council Tax Support discount awarded within Central Bedfordshire in 2018/19 is presently £13,774,854 on an annualised basis, which is a 1.7% increase on the same period last year.



41. The Council's Medium Term Financial Plan assumes that the current scheme will continue with no additional savings planned to be met by scheme changes in 2019/20.

### **Equalities Implications**

42. Public authorities have a statutory duty to advance equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
43. A full equality assessment was conducted as part of the approval process for the 2013/14 Council Tax Support Scheme to ensure that due regard was given to the impact of the scheme on the Council's residents, particularly those who are vulnerable and hard to reach.
44. It is not considered that the proposed change to the level of the Empty Homes Premium will affect the protected groups any differently to those who are not in a protected group.

### **Conclusion and next Steps**

45. Approval is being sought to keep the local Council Tax Support scheme unchanged for 2019/20 and;
46. To increase the Empty Homes Premium to 100% with effect from 1 April 2019, subject to the necessary legislation coming into force.

### **47. Appendices**

48. None.

### **Background Papers**

49. None.