

Cabinet Meeting

Meeting Date	5 November 2014
Report Title	Council Tax Support Scheme 2015/16
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Brian Planner
Head of Service	Brian Planner
Lead Officer	Zoe Kent
Recommendations	<ol style="list-style-type: none">1. That the Council Tax Support scheme for 2015/16 is kept the same as 2014/15 and CTS continues to be reduced by 15%2. That the short term empty discount is reduced from 3 months to 1 month.3. That a 50% premium is charged on properties that have been empty for more than 2 years

1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to analysis the current scheme's effects on collection and benefit claimants, and to consider the percentage reduction from CTS that should be set for 2015/16. It will also consider changes to the Council Tax empty property discounts.

2 Background

- 2.1 The localisation of Council Tax Support (CTS) has now been in place since 1 April 2013. Prior to the start of the scheme, a Kent-wide scheme was agreed for a period of three years whereby all districts agreed to reduce CTS by 18.5%. This amount could be reduced to a lower percentage if the district took measures to reduce its empty property discounts. By reducing the short term empty property discount from six down to three months, and removing the long term empty property and second home discounts, the Borough was able to reduce CTS by 15% rather than 18.5%.
- 2.2 In the first year of the scheme the CTS reduction was set at 8.5%. The Council was able to reduce CTS by such a low amount due to the transitional grant that was awarded by DCLG. However, in 2014/15 the grant was not received, so the reduction from CTS was increased to 15%.

- 2.3 Analysis shows that all Kent districts have reduced the amount of CTS awarded based on the amendments they have made to their Council Tax discounts and any subsidy they have decided to make towards their scheme.

Table 1: *Kent authorities + Medway CTS reduction percentages*

Council	2013/14 Reduction %	2014/15 Reduction %
Tonbridge & Malling	8.5	18.5
Tunbridge Wells	8.5	18.5
Maidstone	8.5	13.0
Sevenoaks	8.5	18.5
Dartford	8.5	18.5
Gravesham	8.5	18.5
Swale	8.5	15.0
Ashford	8.5	10.0
Shepway	8.5	18.5
Canterbury	5.0	5.0
Dover	6.0	6.0
Thanet	5.5	5.5
Medway	25.0	25.0

- 2.4 The tables below show the current caseload for CTS claimants. There was a fall in the number of claimants when the reduction from CTS was increased from 8.5% to 15%. This took some claimants who received a small amount of help out of entitlement. The number of pensioners claiming has also decreased as the pension age has increased. The CTS expenditure is a predicted figure during the year as awards are amended throughout the year. The total net expenditure figure as at 1 October 2014 was £9,985,740.

Table 2. *CTS Caseload as at 1 October 2014*

Working Age	5,316
Pension Age	7,345

Table 3. *CTS expenditure as at 1 October 2014*

Working Age	£4,574,538 (46%)
Pension Age	£5,411,202 (54%)

- 2.5 The amount of CTS awarded has continued to fall throughout the year. It is difficult to predict the final expenditure; however, unless there was a sudden rise in claims it is likely that the expenditure at the end of the year will be less than at

the beginning. When CTS is awarded on 1 April for the financial year it is presumed that claimants will receive the amount due on 1 April for the whole of the year. As claimants move and have changes to their circumstances their CTS is either increased or reduced. As Council Tax is a relatively low cost per week (on average £20 per week) when claimants start work they are often taken out of entitlement to CTS or entitled to very little. If a large employer was to move out of the area the amount of expenditure may increase. As the grant towards CTS has now been set by DCLG and we do not receive a grant based on our actual expenditure and like most other authorities we no longer carry out promotions to encourage the take up of CTS.

Table 4 2013/14 Expenditure

Table 4 shows the cost of the CTS scheme to the Borough and the major preceptors in 2013/14 and the predicted expenditure for 2014/15.

2013/14 Expenditure		2014/15 Predicted Expenditure	
Full Cost (without reduction)	£11,270,223	Full cost (without reduction)	£11,086,851
Cost with 8.5% reduction	£10,712,895	Cost with £15% reduction	£9,985,740
Current funding	£10,300,000	Current funding	£10,300,000

Table 5. Analysis of CTS payments received

Prior to April 2013 it was very difficult to predict how much council tax would be collected from benefit claimants of whom many would have been paying council tax for the first time. The Borough along with most other billing authorities took a cautious view and predicted a collection rate of 50%. It is likely that the collection rate reached 77.2% because CTS was only reduced by 8.5% so claimants had a more manageable amount to pay during the first year of the scheme.

	C Tax to be paid by CTS claimants	Outstanding amount	Paid	Percentage paid
2013/14	£1,042,847	£238,182	£804,665	77.2%
2014/15 as at 01.10.2014	£1,754,445	£982,370	£772,075	44%

3 Proposal

- 3.1 It is proposed that the Council Tax Support scheme should be maintained as the current scheme reducing Council Tax Support by 15%. Claimants are now used to paying 15% towards their Council Tax, although we took a lot of calls from

claimants querying the increase in April and some had said they would struggle to pay the increase from 2013/14. The collection rate as at 1 October 2014 (44%) shows that we should be on track to collect a similar percentage to 2013/14.

Table 8. *Costings*

Grant	£10,300,000	
Pensioner	£5,411,202	
Working age	£4,574,538	
Total CTS Award	£9,985,740	
Total cost if Council Tax increases by 2% including preceptors	£10,185,454	
Balance to SBC and the major preceptors	(£114,546)	
Impact on CTS claimants	Annual	Weekly
Band A	£177.87	£3.43
Band B	£207.51	£3.99
Band C	£237.16	£4.56
Band D	£266.80	£5.13
Impact on CTS claimants if C Tax increases by 2%	Annual	Weekly
Band A	£181.43	£3.48
Band B	£211.66	£4.07
£241.90	£241.90	£4.65
Band D	£272.14	£5.23

- 3.2 Although we are still using the grant figure of £10,300,000 as the Revenue Support Grant figure this amount was only guaranteed as the proportion covering Council Tax Support expenditure for 2013/14 and 2014/15. Therefore as it is likely that the Borough's Revenue Support Grant will be reduced for 2015/16 and extra income will need to be found to cover any shortfall towards the Council Tax Support scheme. An assumption has also been made that the major preceptors will increase their Council Tax by 2%. As the Borough's proportion of the Council Tax only equates to 11%, for illustrative purposes only an overall increase of 2% has been used. The Borough is not aiming to make any money out of this scheme, as the collection rate is unlikely to reach more than 80% there is not likely to be any gain. If there was, this would be put towards bad debt provision. To cover the anticipated reduction in grant it is recommended that the Council Tax empty property discounts are also amended as set out below.
- 3.3 The short term empty property discount is currently awarded at 100% for 3 months. Revenue could be increased by reducing the 100% award to 1 month. This still gives a period of time for properties to be empty when changing tenancies, etc with a 100% discount awarded. The reduction in this discount could raise an estimated £100,000.
- 3.4 A further option is to charge a premium of 50% to the Council Tax for properties that have been unoccupied for at least two years and are unfurnished. This surcharge is applied by many other authorities and will help the Borough to encourage owners of long term empty properties to work with both KCC and the

Borough to bring these properties back into use. Applying this premium could raise in the region of £200,000.

4 Alternative Options

- 4.1 The amount that CTS claimants are charged could be reduced so that the benefit claimants do not have to pay so much towards their Council Tax. The advantages to this would be lower charges to benefit claimants which should lead to lower recovery costs. The disadvantage would be less revenue for the Borough and the major preceptors, confusion for claimants if we had to increase the amount payable again from 2016/17 when the Kent wide agreement ends.
- 4.2 The amount that CTS claimants are charged could be increased so that benefit claimants would have to pay more towards their Council Tax. The advantage to this would be that the Council Tax empty discounts would not have to be changed. The disadvantage would be that the CTS claimants may struggle to pay which would be likely to lead to higher recovery costs increasing expenditure for the borough.

5 Consultation Undertaken or Proposed

- 5.1 An on-line consultation is currently being carried out on the Borough website. The consultation will close at the end of October and results will be given at Cabinet.

6 Implications

Issue	Implications
Corporate Plan	<p>BV9 Percentage of Council Tax collected in year. If the reduction from CTS is kept the same as 2014/15 it is estimated that there will not be a drop in the collection rate because claimants are already aware of the amount they must pay. It is again inevitable that not all residents who are living on state benefits will pay the full amount of Council Tax due.</p> <p>The changes introduced through the Welfare Reform agenda and Local Council Tax Support Scheme are aimed at providing greater work incentives, which have the potential to positively impact on the economic prosperity of those returning to employment as well as the wider community. The amount of working age claimants has reduced which may be showing a movement into work.</p>
Financial, Resource and Property	<p>The financial implication of not putting in place a Council Tax Support scheme which gives a balance of help to the CTS claimants against the loss of income to the Borough could lead to an overspend on Council Tax Support . Both the needs of the CTS claimants and the Borough need to be considered.</p> <p>The Revenues and Benefits section has been fully resourced to</p>

	<p>ensure that claimants receive help and guidance towards paying their Council Tax and claiming any Benefits they may be entitled to. The bad debt provision will be reviewed for 2015-16 to take into account the final collection rate for 2014/15. The Borough will work with other agencies and partners to support those residents with money and debt advice services.</p> <p>The level of future grant received from the Department for Communities and Local Government to meet the cost of the Council Tax Support scheme is expected to reduce in future years. This could mean the Borough having to identify alternative funding or savings to maintain the proposed scheme in the longer term or consider further reductions in the support made available. For this reason we are recommending the changes to the empty property discounts.</p>
Legal and Statutory	Local Government Finance Act 2012
Crime and Disorder	It is unlikely that there has been any increase in crime or disorder from the 2014/15 scheme, therefore we would not consider there to be any increase in risk for 2015/16.
Sustainability	The proposed scheme has been designed to run over a 3 year period 2015/16 being year 3 of the scheme. Kent County Council and our other major preceptors have agreed to help with funding (see appendix I) to help with any financial implications from 2013-14 to 2015-16.
Health and Wellbeing	Residents who struggle to pay their Council Tax are advised that they can put in a claim for a Section 13A discretionary award. Those whose health appears to be affected will be signposted to appropriate advice.
Risk Management and Health and Safety	<p>The main risk to the Borough is a drop in the collection rate due to the large number of residents on a low income who will be paying an increased amount towards their Council Tax.</p> <p>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. This could lead to a risk to the health and living standards of Council Tax Support claimants.</p>
Equality and Diversity	Equality and diversity data will be collected from the responses to the consultation, any concerns will be built in to the community impact assessment.

7 Appendices

The following documents are to be published with this report and form part of the report

- Appendix I: *CTS Kent proposal November 2012*
- Appendix II: *CIA Assessment*