

## MIDDLESBROUGH COUNCIL

## COUNCIL

9<sup>th</sup> January 2013

## Localisation of Council Tax

Elected Mayor – Ray Mallon

**PURPOSE OF THE REPORT**

1. The purpose of this report is to consider the proposed Local Council Tax Support Scheme and related issues.

**SUMMARY OF RECOMMENDATIONS**

2. It is recommended that the Council:
  - i) notes the impact of the Government's funding cuts on Council Tax Support
  - ii) approves proposals in respect of the Local Council Tax Support scheme as set out in the report
  - iii) approves proposals in respect to the existing Council Tax discounts and exemption schemes as set out in the report.

**BACKGROUND AND EXTERNAL CONSULTATION**

3. In the Government's 2010 spending review it was announced that support for Council Tax (Council Tax Benefit) would be localised and the associated level of funding to Local Authorities' would be reduced by 10%. This is currently estimated to equate to a reduction in funding of £2.4 million.
4. A report was submitted to Executive on 11 September 2012 which confirmed that support for council tax (Council Tax Benefit) would be localised and that the existing Council Tax Benefit Scheme would be abolished on the 31<sup>st</sup> March 2013. Local Authorities are required to develop their own local scheme ("**the new scheme**") by 31<sup>st</sup> January 2013 for implementation on the 1<sup>st</sup> April 2013
5. In developing any "new scheme" pensioners must be protected and receive the same levels of support that they currently do under national rules. Approximately 38% of our Council Tax Benefit caseload is in respect of individuals of Pensionable age. The full impact of the reduced funding consequently falls on Council Tax benefit recipients of working age
6. The "new scheme" is at the discretion of individual local authorities and required a period of statutory consultation with affected residents.
7. Executive on the 11<sup>th</sup> September 2012 agreed the following 5 principles in respect of the proposed "new scheme":-

- a. The new scheme will pass on, in full, the impact of the reduced funding for Council Tax Support to Council Tax Payers (excluding pensioners)
  - b. All people of working age should pay some Council Tax
  - c. The Council will look at the overall level of discounts awarded for Council Tax
  - d. The new scheme should incentivise people in receipt of Council Tax Support to obtain work
  - e. Council Tax Support should be targeted at people on low incomes
8. A consultation exercise was undertaken from 14 September 2012 to 7 December 2012 around these principles.
9. A total of 225 responses were received following the consultation. The responses confirm that those who replied are of the view that the impact of the reduced funding should be passed on to benefit recipients, and that people of working age should also pay some Council Tax. Consultation responses also strongly indicated that the Council should look at the level of discounts awarded for Council Tax and that work should be incentivised through the new scheme whilst targeting support for people on low incomes. A summary of the responses are shown at Appendix A.

### **Local Council Tax Scheme**

10. **Proposal 1:** As the consultation results support the view to pass on the reduction in funding to Council Tax payers, a 20% reduction in Council Tax Support for people of working age should be applied. It is estimated that this would offset the reduction in government funding by £1.8 million
11. **Proposal 2 :**Through targeting people on low incomes, Second Adult Rebate, which is based on the income of adults who are not liable for Council Tax in their own right, would be abolished, which would offset the reduction in government funding by £34,000 per year.
12. **Proposal 3:** Over 65% of the responses to the consultation indicated that the new scheme should incentivise work. The preferred option was an increase of £5 for the earnings disregarded from all assessments which would support those entering employment. If the earnings disregard was increased by £5, this would cost the Council £11,000 in additional support paid to claimants.

### **Exemptions and discounts**

13. A further option available to the Council from 1 April 2013 to help meet the shortfall in funding is to limit the Council Tax exemptions / discounts currently applied. From this date the Council has the option to amend both the period and amount awarded for properties undergoing structural alterations (previously known as Class A exemptions) and those which are empty (known as Class C exemptions).
14. Currently, the scheme allows a mandatory full exemption for 12 months if the property is empty and undergoing structural repairs (Class A) or 6 months if the property is empty and unfurnished (Class C). This is then followed by a discretionary

50% discount. At present Middlesbrough Council is not consistent with the other Tees Valley Authorities, most of whom charge either 90% or 100% council tax following the 6 month period whereas Middlesbrough continues to charge 50%.

15. **Proposal 4:** The Council does have the opportunity to remove these discounts entirely in line with neighbouring Teesside authorities. This would generate additional income of £880,000
16. **Proposal 5.** In relation to second homes, at present, a 50% charge is payable. To ensure that the above does not lose impact, it is proposed that a full charge be payable from 1 April 2013 otherwise the schemes will not be consistent and potentially allow Council Tax payers to claim they have second homes to avoid the reductions outlined within Proposal 4. The impact of this will generate an additional £18,000 per year.
17. **Proposal 6.** Legislation also allows Authorities to charge a premium for properties which are empty on a long term basis (2 years or more). It is recommended that a 150% charge be applied to such properties, which is in line with other Tees Valley proposals.

## **EQUALITY IMPACT ASSESSMENT**

18. An equality Impact Assessment has been completed and is attached at Appendix B.

## **OPTION APPRAISAL/RISK ASSESSMENT**

19. The Council is required to determine its own Localised Council Tax Scheme by 31<sup>st</sup> January 2013 for implementation with effect from 1<sup>st</sup> April 2013.
20. **Do nothing.** This is not a viable option. Each Local authority is required to introduce its own scheme. Central Government can impose a scheme for those authorities who have not agreed a scheme by 31<sup>st</sup> January 2013
21. **Apply a reduction in Council Tax Support at 10%.** As approximately 38% of our Council Tax Benefit caseload is in respect of individuals of pensionable age, the cost of the scheme would be significantly above the level of funding provided to the Council. Further service budget reductions would be required to meet the associated funding gap. This would not be in line with the key principles of the scheme outlined at paragraph 7
22. **Apply a self financing scheme.** This would require a 20% reduction in Council Tax Support (for people of working age) and a revision to our scheme for exemptions and discounts. Whilst this would bring Middlesbrough very much in line with neighbouring authorities in respect Council Tax support, our level of exemptions and discounts would be very much above that of our neighbours. This would meet the key principles outlined at paragraph 7
23. **Apply a scheme for Council Tax Support, discounts and exemptions in line with neighbouring authorities.** This would require acceptance of the proposals outlined within the report. The principles outlined in the draft scheme would be met and a financial contribution would be available to mitigate future service budget reductions.

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

24. It is estimated, based on the current number of claimants that the level of Council Tax Support provided to the Council will be reduced by £2.4million.
25. The following table provides a summary of the overall financial impact of each of the proposals :-

<b>Proposal</b>	<b>Details</b>	<b>(Saving)/ Cost 2013/2014 £`000</b>
1	20% reduction in Council Tax Support for people of working age	-1,800
2	Removal of Second adult rebate	-34
3	Increased earnings disregard	11
4	Removal of class A and class C exemptions	-880
5	Removal of 2 <sup>nd</sup> home discount	-18
6	Charge for properties empty for 2yrs or more	0
	<b>Net impact</b>	<b>-2,721</b>

26. The net financial impact on the Council, should the proposals be accepted, is a net overall saving of approximately £321,000, which would be available to mitigate future service budget reductions.

### Ward

27. The proposals set out in this report impact on all wards

### Legal

28. Should the Council not agree its local Council Tax Support Scheme by 31<sup>st</sup> January 2013, Central Government can impose a scheme on Middlesbrough Council.

## RECOMMENDATIONS

- 29 It is recommended that the Council:
- i) notes the impact of the Government's funding cuts on Council Tax Support
  - ii) approves the 3 proposals in respect of the Local Council Tax Support scheme as set out in paragraphs 10-12;
  - iii) approves the 3 proposals in respect to the existing Council Tax discounts and exemption schemes as set out in paragraphs 15-17

## **REASONS**

30. The purpose of recommendations is to allow the Council to set its own Local Council Tax support scheme.

## **BACKGROUND PAPERS**

No background papers were used in the preparation of the report.

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