

## EXETER CITY COUNCIL

EXECUTIVE  
26 November 2013

COUNCIL  
17 December 2013

### LOCAL COUNCIL TAX SUPPORT SCHEME FOR 2014/2015

#### 1. PURPOSE OF THE REPORT

1.1 To seek Members' view on the local Council Tax Support Scheme for 2014/15.

#### 2. BACKGROUND

2.1 Council Tax Benefit (CTB) administered by Exeter City Council (ECC) under national regulation was abolished on 1 April 2013. It was replaced by the local Council Tax Support scheme ('the Scheme') approved by Members on 11 December 2012, with the following principles:

- Help with Council Tax will be a local authority responsibility and will not become part of Universal Credit.
- Local authorities received a budget for the new Scheme based on 10% less than the government's estimation of what CTB expenditure would have been in 2013-14.
- Support for pensioners was not affected by this cut. National legislation is used to administer a scheme for pensioners but local authorities are free to establish, subject to any restrictions set by Government, whatever rules they choose for their schemes for working aged claimants.
- Central Government provided a grant to local authorities to operate their new schemes. Local authorities will be able to keep any under spend, but will have to fund any overspend themselves.
- Vulnerable residents must be protected (being mindful of the Child Poverty Act 2010, the Disabled Persons Act 1986, the Chronically Sick and Disabled Persons Act 1970 and the Housing Act 1996).
- There is a requirement to meet Section 149 of the Equality Act 2010.

2.2 Members approved the Scheme for 2013/2014 on 11 December 2012, which was based on modelling the scheme to meet the reduction in Government funding, which was based on an estimated savings requirement of £1,091,341. The components of the Scheme follow.

#### 3. THE COMPONENTS OF THE CURRENT SCHEME

3.1 The current local Scheme is applied to working age claims only, as stated in the scheme principles. State Pension Credit-age claims are determined by national regulations<sup>1</sup>. The current Scheme mirrors the means test taken from the previous Council Tax Benefit legislation<sup>2</sup> to ensure that established and tested protections exist for vulnerable Exeter residents and to minimise legal challenge to our Scheme.

3.2 The award of Council Tax Support for working age claimants is based on 80% of their Council Tax liability. This affects all working age claimants in Exeter, leaving at least a

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<sup>1</sup> The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885)

<sup>2</sup> The Council Tax Benefit Regulations 2006 (SI 2006/215)

20% contribution towards Council Tax from all households for 2013/2014. By limiting support to all working age claimants, the burden of meeting the required savings in the first year of the Scheme is borne by all claimants and no one group is disproportionately affected.

3.3 The additional components of the current Scheme are:

- No Alternative Maximum Council Tax Support (Second Adult Rebate) scheme for working age claimants
- Removing entitlement where working age claimant capital exceeds £6k.
- Having an Exceptional Hardship Fund

3.4 This scheme is now established within ECC's Customer Access service. The need to ensure equality, protect vulnerable groups, account for work incentives and make appropriate savings creates an ongoing challenge for ECC.

#### **4. FINANCE AND ADMINISTRATION OF THE CURRENT SCHEME**

4.1 Current projected CTS spend 2013/2014:

At 7 October 2013, there are 9166 customers in receipt of Council Tax Support at a current annual cost of £6,650,090. Of these, 5,164 (56.34%) are working age and 4,002 (43.66%) are pension age. The current spend on the full Scheme for 2013/2014 is £6,713,107.

4.2 Current Council Tax Recovery and Collection Rates:

ECC's Council Tax recovery rate to the end of September 2013 (quarter 2) was 56.09%, compared to 56.54% at the same time last year. Collection is only 0.46% lower. The full impact of the 2013/14 CTS scheme on recovery may not have been established, or there may still be recovery issues on cases where full financial circumstances of claimants are yet to be determined that could affect future recovery for the year.

4.3 A package of pro-active recovery methods has been used as a result of systems review lessons learned to date. These include targeted letters to individuals addressing individual circumstances such as existing Council Tax arrears, rent arrears or Housing Benefit overpayments, follow up contact by phone with individuals who have not responded to written communications and holistic assessment of recovery methods when the individual has more than one debt to ECC. These have been specifically aimed at working age claimants who previously had their Council Tax liability covered in full with Council Tax Benefit, but from April 2013 have had at least 20% of their bills to pay. It is envisaged that this pro-active work will continue on these cases throughout the rest of this year and into next, widening into the standard working age CTS caseload to both support Exeter residents and protect the collection fund.

4.4 We are currently being financially supported in our pro-active approach to protecting the collection fund by our preceptors (Devon County Council, Devon & Cornwall Police & Devon & Somerset Fire authorities) and ECC has put a business case for this continued support forward for approval for the 2014/15 year.

4.5 Current Exceptional Hardship Fund (EHF) activity:

The established EHF has seen a total of 11 successful awards at the end of September 2013 (quarter 2). These awards have been made for cases of extreme financial hardship to support the Tax Payer for a limited period of time. The establishment of the 'Help me with my Financial/Housing Problem' system has seen the holistic use of several discretionary funds available and this is spreading the use of

financial help in a positive and targeted way to support Exeter residents, therefore the dependency on the EHF is relieved.

4.6 Whilst the collection rates remain stable at the end of quarter 2 and the pro-active work is being undertaken, the use of the EHF is minimal to date. However it is still too early and only within the first year of the Scheme, to predict if the EHF will be spent without the full picture of our customer's financial circumstances.

4.7 Appeals (individual & legal challenges):  
To date there have not been any individual appeals against Exeter's CTS scheme or any legal challenges lodged against our consultation administration or overall scheme rules.

## 5. FINANCIAL CONSIDERATIONS FOR 2014/2015

5.1 ECC will no longer receive a ring-fenced budget from central Government for the cost of the local CTS scheme. The amount of CTS expenditure together with the other Council Tax discounts and exemptions expenditure will need to be defined during the setting of the Council Tax Base.

5.2 The table below illustrates a proportion of the current expenditure on Council Tax Discounts and Exemptions:

Council Tax Net Collectable Debit (at Q2)		£51,104,037	
Discount/Exemption type	2013/14 Cost (at Q2)	Effect on individual liability	ECC discretion to change
Single Occupier Discount	£5,892,581.13	25% discount	No discretion to change
Former Exemption A Uninhabitable/major repair	£43,035.86	50% charge for up to 12 months from 01.04.2013	Discretion to alter % charge over the 12 month period up to a maximum of 100%
Former Exemption C Empty & unfurnished	£174,571.71	100% discount applied for 2 months from 01.04.2013	Discretion to alter the period of reduction to nil
Second Homes	£63,958.13 (additional revenue raised) £5,436.44 to ECC (8.5%)	100% charge from 01.04.2013	Discretion to increase to a maximum 100% charge
Empty Homes Premium	£38,772.45 (additional revenue raised) £3,295.66 to ECC (8.5%)	150% premium charge over 2 years empty from 01.04.2013	Discretion to increase to a maximum 150% charge
Council Tax Support – Working age	£3,351,015	Variable CTS award based on means test	Discretion to alter scheme for full year period – full consultation needed with precepting authorities and the public
Council Tax Support - Pension age	£3,362,092	Variable CTS award based on means test	No discretion to change – prescribed national regulations

5.3 There are 2 Council Tax discounts that Members may consider revising for the 2014/15 financial year:

5.4 Reduce the Empty Unoccupied and Unfurnished 100% discount period from 2 months to 1 month. Although this would raise additional income of approximately £80k, ECC's proportion would only be approximately £7k. Experience from other Devon local authorities who have implemented this change has shown a disproportionate increase

in customer complaints and contact, in turn putting extraordinary demand on staff resources.

- 5.5 Reduce the Empty Uninhabitable /Major Works discount from its current level of 50% (the 12 month period cannot be altered). As an example, if the discount was reduced to 25%, an additional income of approximately £20k would be raised with ECC's proportion being approximately £1.7k, showing that the net gain is small.
- 5.6 The Long Term Empty Premium has been very successful and has fulfilled its desired effect of reducing the number of properties empty for 2 or more years from 91 cases in March 2013 to 64 as at the 3 October 2013. It is recommended to leave the 2 discounts unaltered because the financial gain to ECC is minimal.
- 5.7 The tables below show an example of projected expenditure on the CTS scheme for 2014/15 if the scheme remains unchanged. This projection is based on a 2% Council Tax increase with an inflation increase and uprating of applicable amounts and non-dependant deductions:

2014-15 Charge Estimate	ECC	DCC	Fire	Police	Total
2013-14 Band D	£129.84	£1,116.36	£75.39	£162.92	£1,484.51
Estimated 2014-15 Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated 2014-15 Charge	£132.44	£1,138.69	£76.90	£166.17	£1,514.20
Estimated 2014-15 Ratio	8.75%	75.20%	5.08%	10.97%	

Current 2014-15 "No Change" Projection	4002	£3,330,531	5164	£3,319,559	9166	£6,650,090
C Tax Increase					2.00%	£152,180
Increased Applicable Amounts					1.00%	£22,998
Increased Non Dep Charge					10.70%	£5,459
Increased Income					1.00%	£27,301
Calculated 2014-15 initial posting						£6,792,509
					Under 2013-14 Budget	£275,087
					% of 2013-14 Budget	3.89%

- 5.8 The tables below show an example of projected expenditure on the CTS scheme for 2014/15 if the scheme remains unchanged. This projection is based on a Council Tax freeze by Devon County Council, 2% increase for ECC, Police & Fire authorities with an inflation increase and uprating of applicable amounts and non-dependant deductions, giving an overall reduction on expenditure for the CTS scheme of £114k from the tables above:

2014-15 Charge Estimate	ECC	DCC	Fire	Police	Total
2013-14 Band D	£129.84	£1,116.36	£75.39	£162.92	£1,484.51
Estimated 2014-15 Increase	2.0%	0%	2%	2%	0.50%
Estimated 2014-15 Charge	£132.44	£1,116.36	£76.90	£166.17	£1,491.87
Estimated 2014-15 Ratio	8.88%	74.83%	5.15%	11.14%	

Current 2014-15 "No Change" Projection	4002	£3,330,531	5164	£3,319,559	9166	£6,650,090
C Tax Increase					0.50%	£37,739
Increased Applicable Amounts					1.00%	£22,998
Increased Non Dep Charge					10.70%	£5,459
Increased Income					1.00%	£27,301
Calculated 2014-15 initial posting						£6,678,068
					Under 2013-14 Budget	£389,528
					% of 2013-14 Budget	5.51%

## **6. CONSIDERATIONS OF CHANGING THE CTS SCHEME FOR 2014/2015**

- 6.1 There could be potential financial impact to the working age residents of Exeter if the CTS scheme is amended to make further savings. Some working age residents of Exeter will also be subject to further cuts in financial support following the April 2013 welfare reforms.
- 6.2 Further revision of a CTS scheme reducing or removing entitlement to CTS may in certain circumstances need to include transitional protection<sup>3</sup> to groups or individuals affected by the change and may have adverse equality impacts. Any transitional protection agreed will need to be calculated in the overall CTS expenditure.
- 6.3 If the Scheme details change, ECC will be required to consult on the proposed changes with the major precepting authorities. A period of public consultation will also be required for a recommended period of 12 weeks<sup>4</sup> at an estimated cost of c.£20k. Additional costs will arise from communication media both in the consultation period and for the final agreed Scheme.
- 6.4 Any CTS scheme change must be formally agreed and adopted by ECC by 31 January 2014<sup>5</sup>, failure to do so will result in the previous year scheme details being automatically carried forward.
- 6.5 Further uncalculated costs will arise from a scheme change for IT systems to accommodate the changed parameters of the scheme.
- 6.6 Depending on any proposals to change the CTS scheme, the savings from a changed scheme may not cover the cost of transitional protection, consultation, communication or IT changes required. Robust analysis of costs against expenditure will be done should Members decide to change the Scheme.
- 6.7 Subject to approval, we are aware that it is likely that the other councils within Devon who changed their local CTS schemes last year are looking to keep them the same going into the 2014/15 year. The only Devon local authorities that are likely to change their schemes for 2014/15 are the ones who took advantage of the Government Council Tax Reduction Schemes grant in 2013/14.

## **7. PROTECTING THE COUNCIL TAX BASE**

- 7.1 To protect the current and future Council Tax collection rates, it is recommended by officers that ECC adopts a policy that would allow investigation and the application of sanctions to all Council Tax discounts and exemptions that are either not reported on time or are fraudulently claimed. We allow many discounts and exemptions under legislation to reduce a customer's Council Tax liability, including CTS. If a tax payer is receiving a discount or exemption when they should not be, this will affect the amount of Council Tax we collect during the year. The options available to ensure customer compliance with all discounts and exemptions are the application of a £70.00 fine<sup>6</sup> for failure to disclose relevant information relating to receipt of a discount or exemption, or imposing a calculated penalty as an alternative to prosecution, or for serious abuse of the system, prosecution of a case where fraudulent claiming of a discount or exemption is proven. If Members are minded to approve this, officers will be able to draft a policy.

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<sup>3</sup> Local Government Finance Act 1992 (as amended) Sch. 1A (5)

<sup>4</sup> HM Government Code of Practice on Consultation. July 2008 & DCLG Localising Support for Council Tax Statement of Intent. May 2012

<sup>5</sup> Local Government Finance Act 1992 (as amended) Sch. 1A (5)

<sup>6</sup> The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

7.2 ECC are currently liaising through the Devon Benefit Officers Group (DBOG) with the preceptors to establish a business case for financial support to increase the intervention activity on CTS cases to ensure compliance with the Scheme rules and protect CTS expenditure.

## **8. LIAISON ACTIVITY**

8.1 There is regular liaison with the precepting authority representatives and all other local authorities within Devon through DBOG. It has been agreed that this activity constitutes consultation with the precepting authorities regarding ECC's CTS scheme and business case requests for further financial support.

## **9. IN SUMMARY**

9.1 If ECC's CTS 2014/2015 Scheme remains the same as the 2013/2014 Scheme agreed by Council on 11 December 2012, the only changes to this scheme will be the uprating of applicable amounts, non-dependant deductions & the inclusion of the income disregard for Armed Forces Independence Payment (AFIP) in line with The Council Tax Reduction (Prescribed Requirements) (England) Regulations 2012 (as amended). That being the case, the main components of the 2014/15 Scheme would be:

- 9.2 i) Limit support to 80% for all working age customers
- ii) No Alternative maximum Council Tax Support (Second Adult Rebate) for working age claims
- iii) Removing entitlement to support where working age claimant capital exceeds £6k
- iv) Having an Exceptional Hardship Fund

9.3 Appended to this report (online) is the full policy established under the Local Government Finance Act 1992 (as amended) that members are requested to approve for the 2014/15 year.

## **10. RECOMMENDATION**

10.1 That Executive recommends to Council the continuation of the current Scheme for local Council Tax Support, from 1 April 2014.

10.2 That Executive recommends to Council the continuation of the current Council Tax discounts for Empty Unoccupied and Unfurnished properties and Empty Uninhabitable/Major Works properties from April 2014.

10.3 That Executive recommends to Council that a decision is taken on the adoption of a Council Tax base protection policy including the use of statutory fines up to prosecution for fraudulent cases.

10.4 That Council notes the document attached as an appendix to this report.

10.5 That Members note that officers will begin modelling the Scheme for 2015-16, for consideration by Council, reflecting any necessary proposed reductions to the current level of support as a result of reductions in Government funding.

Appendix One: The full S13a Policy (online)

**BINDU ARJOON**  
**ASSISTANT DIRECTOR CUSTOMER ACCESS**

**Local Government (Access to Information) Act 1985 (as amended)**

**Background papers used in compiling the report:**

Local Government Finance Act 1992 (as amended)

Local Government Finance Act 2012

The Council Tax Reduction (Prescribed Requirement) (England) Regulations 2012

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

The Council Tax (Administration and Enforcement) Regulations 1992 (as amended)

HM Government, Code of Practice on Consultation. July 2008

Department for Communities and Local Government, Localising Support for Council Tax, A Statement of Intent. May 2012