

MEETING OF THE COUNCIL 16 JANUARY

7. REFERRALS FROM CABINET

8 JANUARY 2013

7.5 BUDGET PREPARATION, COUNCIL TAX BASE AND FEES AND CHARGES (CA/008/13)

Decision

1. That the Collection Fund deficit estimate of -£290,718.33 as at 31 March 2013 be approved.
2. That the calculation of the Council's tax base for the year 2013/14 incorporating a collection rate of 99.3% be approved.
3. That, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by the Council as its tax base for the year 2013/14 shall be 53,252.2 and its constituent elements shall be:

Part of Area Parished and Non Parished	100% Tax base	99.3% Tax base
Hemel Hempstead	27,822.8	27,769.6
Aldbury	453.2	451.3
Berkhamsted	8,024.1	7,991.8
Bovingdon	2,023.0	2,014.9
Chipperfield	820.5	817.4
Flamstead	608.6	606.1
Flaunden	176.8	175.9
Great Gaddesden	423.0	421.4
Kings Langley	2,218.7	2,210.4
Little Gaddesden	628.1	625.3
Markyate	1,173.5	1,169.7
Nash Mills	953.1	950.0
Nettleden with Potten End	799.5	796.1
Northchurch	1,266.0	1,261.4
Tring Rural	607.1	04.6
Tring	4,744.7	4,727.3
Wigginton	661.6	659.0
Total	53,404.3	53,252.2

4. That it be noted that the provisional Local Government Finance Settlement for 2013/14 from the Department for Communities and Local Government has been announced.
5. **That Council be recommended to approve the following Council Tax local discounts and premiums:-**
 - **An unoccupied and unfurnished property discount of 100% of Council Tax for three months, then a full charge**
 - **An uninhabitable property discount of 100% of Council Tax for three months, then a full charge.**

- **A long term empty property discount of 100% for three months followed by a full charge (100%) of normal Council Tax until they have been empty for two years, then charge a premium of an additional 50% (a total of 150%) of Council Tax on properties empty for more than two years.**
 - **A full council tax charge of 100% for Second Homes.**
6. That the adoption of the principles set out at Section 5 of the Fees and Charges Strategy for the 2013/14 budget preparation be confirmed, subject to paragraph 2.11 of the Medium Term Financial Strategy (MTFS), and the RPIX rate of 3.1% as at October 2012 be adopted.

Reason for Decision

To agree the Collection Fund deficit as at 31 March 2013 and to determine the Council Tax Base for 2013/14.

Implications

Financial

Providing details of the Collection Fund deficit estimated as at 31 March 2013 assists the Council and other precepting authorities in the setting of their 2013/14 Council Taxes.

The recommended Council Tax base shows an increase on the previous year which is due to additional Band D equivalent dwellings in the Borough.

Legal

Cabinet has delegated authority to set the Council Tax Base by virtue of Section 67 Local Government Finance Act 1992 (as amended) and the resolution of Council dated 19 January 2005.

Value for money

Not applicable

Risk Implications

Not applicable.

Corporate Objectives

Not applicable.

Advice

The Portfolio Holder for Finance and Resources introduced the item.

The Corporate Director (Finance and Governance) said the report would normally be presented to Cabinet in December but was deferred until the Local Government Finance Settlement had been announced to enable the Council to set the Tax Base and to ensure the Council Tax Support Scheme was affordable.

The Corporate Director (Finance and Governance) summarised the report. The Collection Fund surplus or deficit had to be declared before 31 March 2013 to enable other preceptors to take this into account when setting their tax base.

The Corporate Director detailed the method used to calculate the Council Tax Base as there had been technical reforms made in the current financial year. The changes to be introduced this year were detailed in the report. Some exemptions had been abolished to allow councils to make their own decisions which were detailed in recommendation 5 of the report and needed to be agreed as they would impact on the Council's Tax Base for the next financial year.

The Council had consulted on proposals for local discounts and empty homes premium and the consultation papers had been made available. All comments had been taken into account when making the recommendations as detailed in the report. The purpose behind these recommendations was to encourage the amount of affordable and useable housing within the district. The three month discount period for unoccupied and unfurnished property and for uninhabitable property would allow sufficient time for the landlord/owner to renovate or rent within that time.

Other things to be considered were:

- The level of collection rate as detailed in paragraph 13 of the report. With the current changes the collection rate may be reduced in time and this had to be taken into account. The proposal was to reduce the collection rate to 99.3% and Cabinet was advised to keep this under review.
- The Council had a duty to notify other precepting authorities of the level of the Council Tax Base to enable them to prepare their budgets.

Regarding the Local Government Settlement, more information would be provided to members in the report going to Cabinet on 22 January. It was a provisional settlement at this stage and it was a new approach to local government funding for 2013/14. Details of the 2013/14 Local Government Funding Settlement for 2013/14 were detailed in paragraph 19 of the report. There were a number of changes to grants, some of which were included in the overall Revenue Support Grant. These individual grants were shown for 2013/14 but in 2014/15 they would not be shown as specific grants which would mean the departmental spending controls that had been in place would be subject to that grant cut.

The Council was currently getting Council Tax Support funding of 90%. Future funding would be cut in line with the Revenue Support Grant.

Comparing these figures with those on the Medium Term Financial Strategy, it has been slightly more beneficial as in the MTFs a cut of 12% was estimated and it is 9%. The concern now is 2014/15 as the estimated cut in revenue support Grant was 14%.

The Portfolio Holder for Residents and Regulatory Services referred to Appendix A of the report regarding changes to the 10% discount on empty properties and expressed concern that property owners would not inform the Council of empty properties to get the new three month exemption.

The Corporate Director (Finance and Governance) said in proposing the policy of three months exemption rather than one month would be a significant saving and be sufficient incentive for owners to notify the Council of properties not liable for Council Tax for three months. It was hoped it would give owners/landlords sufficient time to

turn the properties round quickly. This policy could be revised for future years but the discount had to be set for one year at a time. Data on empty homes was important regarding receipt of the New Homes Bonus.

The Portfolio Holder for Residents and Regulatory Services asked if the premium of 50% for properties empty for more than two years would start this year. i.e. Council Tax liability of 150% of the annual charge would start in 2015.

The Portfolio Holder for Finance and Resources said it would be retrospective legislation if it was applied to a property that was already empty and suggested starting it from April 2013 to give people an opportunity to get their properties in order. If the Council had any flexibility the Portfolio Holder would prefer to inform people the clock started ticking on a new basis from April 2013.

The Corporate Director (Finance and Resources) said the report covered setting the Council Tax Base which had to be finalised by the end of January. At the end of January the Business Tax Base would be set. There were now two tax bases, Council Tax and the Business Rates.

The Leader of the Council referred to the Second Home Council Tax. At the end of the three months exemption the owner would need to pay 100% Council Tax but the Council would not know if the empty property had been brought back into use. The Leader of the Council asked if this would impact on other figures e.g. the New Homes Bonus and the Housing Strategy. How could the Council be certain these properties were in use and demonstrate how many empty properties had been brought back into use?

The Corporate Director (Finance and Governance) said the Government based the New Homes Bonus on the information the Council gave from Council Tax records. The Corporate Director said she would check there was no other mechanism available. Most of the properties coming back into use were not necessarily empty homes brought back into use, they were brought back from a void period.

The Corporate Director (Housing and Regeneration) said it was unlikely an active landlord would want to leave a property empty for very long. If a property was left unmaintained the public would probably notify the Council.

Options and Why Options Rejected

No alternative options were considered.

Consultation

Not applicable.

Voting

None.

7.6 COUNCIL TAX SUPPORT SCHEME (CA/009/13)

Decision

- 1. That Council be recommended to approve the proposed scheme for Council Tax Support as consulted upon with the following amendments:**
 - (a) the extension of the disability definition to include main phase Employment and Support Allowance (ESA)**
 - (b) a flat rate non-dependent deduction of £5 for all working age non dependents**
- 2. That Council be recommended to note the Corporate Director (Finance and Governance) in consultation with the Leader of the Council and the Portfolio Holder for Finance will put in place arrangements for a discretionary policy in compliance with S13A(2)(a) of the Local Government Finance Act 1992.**
3. That it be noted the proposed scheme will not meet the eligibility criteria for the Government's Transitional Grant as set out in paragraph 23 of the report.
4. That option 3 (paragraph 30 of the report) be identified as the preferred method of distribution of Council Tax Support Grant to local precepting authorities and request that the Corporate Director (Finance and Governance) consults parish councils on this proposal prior to a formal recommendation within the Council's budget for 2013/14.

Reason for Decision

To recommend Council to approve the proposed scheme for Council Tax Support as consulted upon.

Implications

Financial

Localisation of Council Tax Support

The Council currently pays around £9.0m in Council Tax Benefit payments, of which £8.8m is funded by DWP subsidy which is distributed between the Council and the major precepting bodies. From 1 April 2013 the Council will receive a specific grant including a reduction of approximately 10%. The actual amount as announced in the local government financial settlement in December is £1.043 million (of which a portion is due to parishes). The draft scheme seeks to recover some of this deficit by passing on the reduction to working age claimants by reducing the amount of support payable under the local scheme.

However, there is a risk that applications for Council Tax Support may exceed the expected amount to be paid and therefore the value of grant received. This will have cash flow implications and may affect the amount that the Council has available in short term funds.

The localisation of Council Tax Support also provides the Council with an opportunity to simplify the scheme to reduce administrative burdens. The report identifies areas where simplification could reduce administrative costs.

Risk Implications

Localisation of Council Tax Support

A Risk Assessment was completed in May 2012 and is monitored and reviewed by the Localisation of Council Tax Support Working Group.

The principal risks to the Council relate to:

- The capacity to develop a scheme on time
- The possibility of legal challenge arising from the conditions incorporated into the local scheme
- The financial impact of (1) the initial 10% reduction in Government funding for Council Tax Benefit/Support and (2) the impact of claims for support exceeding the anticipated level of payments within the financial year

There are also wider risks relating to the impact of reducing support for council tax for vulnerable groups or those facing financial hardship. Together with the impact on collection rates and the Collection Fund bad debt provision

These risks are being monitored and addressed by the Working Group as part of the overall project control arrangements.

Corporate Objectives

Effective management of the Council's finances supports the Council's vision and all five of its corporate objectives.

Advice

The Corporate Director (Finance and Resources) introduced the report. There had been a lot of feedback from the consultation and peoples' views had been taken into account. This was a comprehensive and sensible plan and efforts had been made to anticipate future changes in the benefits system. This was new territory and amendments may have to be made in the future if it did not work equitably and well.

The Corporate Director (Finance and Governance) said it was a local choice regarding the scheme to be adopted. There was a default scheme for authorities who had not declared a scheme by 31 January 2013. This was no longer a benefit, it was a support/discount. The Council would be part funding it with Hertfordshire County Council and other preceptors. There would be other support in terms of Council Tax Support Grant. The Council was obliged to come up with a scheme that saved 10%. Through the settlement there had been an uprating of projections of estimates in the level of Council Tax paid out which meant extra grant received.

The key principle of the Government requirement was to protect pensioners. The Council had to take into account those recipients classed as vulnerable. Paragraph 10

of the report detailed the findings from the consultation. There had been wide consultation with existing benefit recipients, Council Tax payers and other groups. Broadly people agreed with the scheme. The proposal would extend the definition of disability to include anyone who received main phase Employment and Support Allowance. It was recommended they be protected as a vulnerable group going forward.

Having considered the impact of child poverty, it was proposed to include families with a child under 5 as a vulnerable group.

Regarding non-dependant deductions, the original scheme could have meant that someone with a non-dependant living with them could have had a significant increase in their Council Tax liability. In light of feedback it was proposed that there be a flat rate of non-dependant deductions.

Table 1 of the report set out the main changes to the original costing of the scheme which was still affordable.

The Government announced in October that there was an opportunity for transitional grant as detailed in paragraph 22 of the report. In light of the proposed scheme, the Council would not be able to apply for that grant.

Regarding funding, as explained in paragraph 29 of the report, the Government announced that billing authorities could pass on grant to precepting authorities at its discretion. Some councils were only passing on the element to ensure the Town or Parish Councils were not disadvantaged by the scheme. Others were passing on the full amount, even if the Town/Parish Council did not require it. Hemel Hempstead was unparished. If the Council only gave Town/Parish Councils what they required, there would be a surplus of £30k. Three options for the distribution of the local precepting authority allocation of £60k were being considered as set out in paragraph 30 of the report.

The Council's grant was only identifiable for one year. The recommendation was to consult on Option 3 (total grant allocation distributed on the basis of proportion of financial impact on parishes) as the preferred option and that this be confirmed as part of the budget report. This would be a one year position to be reviewed for future years. The Council was trying to look at a fair approach and, whilst no parish would be disadvantaged, some would have a greater gain. Feedback from Town/Parish Councils would be considered.

Regarding the Discretionary Scheme, the Council was obliged to have a scheme to reduce the amount of Council Tax that the liable person was required to pay to such extent as it saw fit in the event of severe hardship. This would still apply, even though the localisation of Council Tax support resulted in Council Tax benefit being replaced by a Council run discount. The difference was that the Housing Hardship Allowance payable under the existing Housing and Council Tax Benefit regulations had been funded by the Government but the Council Tax element would now be funded by local authorities. Consultation with Hertfordshire County Council and the Police indicated they felt it should be dealt with by right offs. If that was the case, each of the bodies would take an impact on non- collection.

The proposal was to set up a small Discretionary Scheme to comply with legislation (0.5% of local Council Tax Support). Dealing with it through right offs may leave the Council open to challenge.

A detailed consultation had been carried out and the Council had tried to take account of the consultation responses received. This would have an impact on local residents, particularly where they had received a full benefit in the past. There would be some incidents where some individuals would be worse off but the Council had tried to find the fairest route for Cabinet to consider.

The Portfolio Holder for Finance and Resources endorsed recommendation 4 regarding the method of distribution of Council Tax Support Grant to local precepting authorities but said consultation with the parishes was necessary. The Portfolio Holder said it was important that officers satisfied themselves that Town Clerks understood the implications.

The Leader of the Council agreed that the issue around the parishes was confusing. Regarding the allocation of £60k, if that was distributed equally among the parishes it would over compensate them for what they would lose this year. It was important that this was understood by the parishes. If they did not factor this correctly into their budgets it would make it difficult for them in future years. This had to be taken into account for future budgeting.

The Leader of the Council asked if the consultation referred to in recommendation 4 would come back to Cabinet.

The Corporate Director (Finance and Governance) said it would come back as part of the recommendation in the report to the February Cabinet. During the consultation officers would try to illustrate to parishes the impact in future years.

The Portfolio Holder for Housing asked for clarification on the local scheme for hardship.

The Corporate Director (Finance and Governance) said if the Council provided a discretionary allowance, it would pick up the whole of the cost. It was a requirement by law that the Council had a scheme but the Council was looking at the most appropriate method. If it was dealt with as a right off, all three preceptors would take a share. The Council needed to cover itself by having a local scheme available.

The Portfolio Holder for Finance and Resources said the Government announcement on the settlement had come very late and was sorry if the consultation period had been shortened by that. The Portfolio Holder thanked officers and the Finance Team for the work they had done over Christmas. The efforts made were appreciated and the Portfolio Holder asked the Corporate Director (Finance and Governance) to take these comments back to the team.

The Leader of the Council agreed that the changes were very significant and complicated.

Options and Why Options Rejected

The following options were considered regarding distribution of the local precepting authority allocation of £60,635 Council Tax support grant:

Option 1 Grant distribution on the basis of projected financial impact of localisation of CTS Scheme. This option was rejected.

- Option 2 Total grant allocation distributed on the basis of parish tax base. This option was rejected.
- Option 3 Total grant allocation distributed on the basis of proportion of financial impact on parishes. This was the preferred option as it was felt to be the fairest.

Consultation

Consultation took place with:

The Corporate Management Team
The Localisation of Council Support Tax Working Group.

Voting

None.