

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 17

meeting date: 27 JANUARY 2015
title: UPDATE ON LOCAL COUNCIL TAX SUPPORT AND COUNCIL TAX
TECHNICAL CHANGES
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To inform members of the latest position in relation to Local Council Tax Support (LCTS) and Council Tax technical changes.
- 1.2 Relevance to the Council's ambitions and priorities:

- Council Ambitions/Community Objectives/Corporate Priorities

Without the revenue collected from rates, council tax and sundry debtors we would be unable to meet the Council's ambitions, objectives and priorities.

2 BACKGROUND

Local Council Tax Support

- 2.1 You will recall that, as part of the package of welfare reform measures, the Government decided to abolish Council Tax Benefit from 1 April 2013 and replace it with locally determined schemes of council tax support. In doing so the Government reduced the funding available, to local councils to pay for this support, from 100% subsidy to a grant of only 90%. This grant has now been rolled into the main local authority funding and has therefore been further reduced in line with the reduction in local government funding overall.

Council Tax Technical Changes

- 2.2 The Local Government Finance Act 2012 allowed technical changes to the discounts on council tax for second homes and empty properties. From 1 April 2013, second homes may be charged 100% of their normal rate of council tax, instead of the previous maximum of 90%. 'Unoccupied and substantially unfurnished' properties are subject to a discount of anything between 0% and 100% of their council tax, at the discretion of the billing authority. Properties undergoing 'major repair work' or 'structural alteration', which are vacant, can be subject to a discount of any amount between 0% and 100%, for a maximum of 12 months.
- 2.3 The full 50% discount must be retained on a second home where the liable person is required as part of his/her employment to live in job-related accommodation.
- 2.4 From 1 April 2013, local authorities were also permitted to set an 'empty homes premium' for long-term empty properties. Properties which have been unoccupied and substantially unfurnished for over two years may be charged up to 150% of the normal liability.
- 2.5 In 2013/14, i.e. the first of the new changes, the Council considered these new flexibilities and agreed to leave the rates of our current discounts/exemptions unchanged.

2.6 We did however agree to keep the technical changes under review and Full Council at the 4 March 2014 meeting considered the new flexibilities and decided to implement the following with effect from 1 April 2014:

- For long term empty properties (empty from 6 months) remove the current 50% discount which will mean owners are liable for the full 100% council tax due

3 IMPACT OF THE CHANGES

Local Council Tax Support

3.1 The replacement of Council Tax Benefit with our Local Council Tax Support scheme which currently reduces entitlement for working age claimants by 12% has been broadly accepted and proves successful. Costs have fallen by approximately £100,000 however; this does not fully offset the 10% reduction in Government funding referred to above.

Council Tax Technical Changes

3.2 The removal of the 50% discount allowed to properties that have been vacant for more than six months has raised approximately £235,000 overall in 2014/15. Our share of this is approximately 10% i.e. £23,500.

3.3 The aim of the policy was to encourage owners to bring these properties back into use and since the introduction we have seen a substantial reduction in the number of long term empty (LTE) properties (more than six months) in the borough i.e. we had 319 properties in October 2013 reducing to 229 LTE properties in October 2014.

3.4 The reduction in the number of LTE properties during this period has resulted in additional funding being received in the form of New Homes Bonus.

4 CONCLUSION

4.1 The replacement of Council Tax Benefit with Local Council Tax Support created a major challenge for local authorities. Although some difficulties have been experienced our scheme which splits the burden between claimants and taxpayers has been implemented without creating hardship for those affected by the changes and not placing an unreasonable burden on taxpayers.

4.2 The removal of the 50% discount for LTE properties has raised much needed additional income. It has also met the aims of the policy by helping to reduce the number of LTE properties in the borough.

4.3 Collecting the additional revenue for both of these policy changes in addition to the increase in the council tax base we have seen in the last few years has meant more council tax bills being sent, an increase in reminder letters and recovery action, higher numbers of transactions and hence additional work for the revenues section. Despite this we are pleased to report that our collection rate has been maintained and continues to be amongst the highest in the country (at 99.0%, 8th highest in the country for 2013/14).

HEAD OF REVENUES AND BENEFITS

DIRECTOR OF RESOURCES

PF9-15/ME/AC
15 January 2015

For further information please ask for Mark Edmondson.