

Cherwell District Council

Executive

3 September 2018

<p>Council Tax Reduction Scheme and Council Tax Discounts 2019-2020</p>
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Report of Executive Director Finance and Governance (Interim)

This report is public

Purpose of report

To provide members with a review of Council Tax discounts and to seek approval to recommend the proposed level of Council Tax discounts for the 2019-2020 financial year to Council.

To provide an update on the Council Tax Reduction Scheme for 2018-2019 and to seek approval to recommend a Council Tax Reduction Scheme for the financial year 2019-2020 to Council.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report and any financial implications for the Council.
- 1.2 To recommend to Council the option of no change to the Council Tax Reduction Scheme (CTRS) for 2019-2020 (and therefore no consultation is required) and to amend the Council Tax Reduction Scheme Regulations for pensioners in line with uprating announced by DCLG and to uprate the Working Age Regulations in line with those announced by Department for Work and Pensions (DWP).
- 1.3. To recommend to Council that delegated authority is given to the Executive Director Finance and Governance to make any changes to the CTRS Regulations up to and including 31 January 2019 in consultation with the Lead Member for Financial Management.
- 1.4 To review the proposed level of Council Tax discounts for 2019-2020 and make recommendations to Council as follows:
 - Retain the discount for second homes at zero.
 - Retain the discount for empty homes (unoccupied and substantially unfurnished) at 25% for 6 months and thereafter at zero.
 - Retain the discount for empty homes undergoing major repair at 25% for 12 months and thereafter at zero.

- Retain the empty homes premium of an additional 50% for properties that have remained empty for more than 2 years.

2.0 Introduction

- 2.1 In December 2017 members approved a Council Tax Reduction Scheme (CTRS) for Cherwell District Council for the financial year 2018-2019. The scheme remained the same as in 2017-2018 and mirrored the previous Council Tax Benefit scheme.
- 2.2 The scheme for pensioners is set nationally and pensioners have not seen any change to the support they receive.
- 2.3 The Council Tax Reduction scheme is based on a fixed cash grant of approximately 90% of the previous Council Tax Benefit subsidy. This gives a funding shortfall for Cherwell of £742,430.
- 2.3 The funding shortfall is mostly offset by the changes to locally set Council Tax Discounts.

3.0 Report Details

Position so far

Council Tax Reduction Scheme

- 3.1 As the funding for CTRS is a fixed cash grant the cost of any increase in the level of demand will be borne by the Council. The Council Tax Reduction caseload has been monitored and there has been a decrease in the number of live cases from 7,087 in July 2017 to 6,607 in June 2018.

Impact on Parish Councils

- 3.2 Members may recall that the regulations for calculating the Council Tax Base were amended to reflect the Council Tax Reduction Scheme and had the effect of reducing the tax base for the billing authority, major preceptors and the Police and Crime Commissioner for Thames Valley and local preceptors. This is because Council Tax Reduction is a discount rather than a benefit and therefore the Council does not collect the full amount of Council Tax from tax payers who qualify for Council Tax Reduction. The impact of the reduced tax base was mitigated in part by changes made to discounts and exemptions. As this will be the seventh year of a Council Tax Reduction Scheme parish councils should now have a clear understanding of the impact of CTRS on their parish tax base.

Impact of the changes to discounts and exemptions

- 3.3 Members will also recall that the Local Government Finance Act 2012 abolished certain exemptions with effect from 1st April 2013 and replaced them with discounts which can be determined locally.

- 3.4 Council determined that furnished chargeable dwellings that are not the sole or main residence of an individual (i.e. second homes) should no longer receive a discount. They had previously received a discount of 10%. If the Council continues to set the discount at zero it is estimated that this will result in additional income of £84,782 for the 2019-2020 financial years.
- 3.5 Council also determined that the discount in respect of unoccupied and substantially unfurnished properties should be reduced to 25% for a period of six months and thereafter to zero. As at July 2018 it is estimated that the additional income from this will be £287,351.
- 3.6 Council further exercised its discretion to determine that chargeable dwellings which are vacant and undergoing major repair work to render them habitable should be given a discount of 25% for a period of 12 months. This is expected to result in additional income of £10,617.
- 3.7 Prior to 1 April 2013 billing authorities could charge up to a maximum of 100% council tax on dwellings that have been empty for more than two years. From April 2013 local authorities were given the powers to charge a premium of up to 50% of the council tax payable. The projected income for 2019-2020 from charging an Empty Homes Premium is £100,163. In the Autumn statement of 2017 the Government announced plans to give local authorities the power to charge a 100% Council Tax premium on empty properties. At the time of writing this report the new legislation has not yet been laid before Parliament. Members will receive an update report on this including financial modelling at a future meeting.

Impact of Council Tax Reduction Scheme on collection rates

A Council Tax collection rate of 97.8% was achieved for 2017-2018. Collection rates for the first two months of the 2018-2019 are also on target. In considering the Council Tax Reduction Scheme for 2019-2020 members should be mindful that any changes to the scheme that reduce entitlement to CTRS could have an adverse impact on collection rates and cost of collection.

Council Tax Reduction Scheme 2019-2020

- 3.8 Members will be aware that the national 10% reduction in government funding for Council Tax Reduction Schemes over the last six years has been offset in part by the additional income generated by changes to discounts and exemptions.

The Government has not yet released indicative funding figures for 2019-2020. For the purposes of calculating the new Council Tax Reduction scheme for 2019-2020 an assumption has been made that funding will remain at the reduced rate

- 3.9 Financial modelling on the options for a new scheme for 2019-2020 has been undertaken as shown below:

Options

Option 1 – No change to current local Council Tax Reduction scheme or Council Tax discounts and uprating the Council Tax Regulations in line with DWP annual uprating.

The 'change nothing' approach would mean retaining the current Council Tax Reduction Scheme. The only change required would be the minor changes to the Regulations.

Option 2 – Revised Council Tax Reduction scheme with current Council Tax Discounts

This option could include reducing support for working age people and would mean that all working age claimants would have to pay a percentage of their Council Tax liability regardless of their circumstances. Percentages of 100%, 91.5%, 90%, 85% and 80% have been modelled.

Option 3: Combination of the options shown above

Financial Summary of options

	100%	91.5%	90%	85%	80%
	£	£	£	£	£000
Overall funding loss	742,430	742,430	742,430	742,430	742,430
Second homes income	-84,782	-84,782	-84,782	-84,782	-84,782
Empty homes income with discount of 25% for 6 months	-287,351	-287,351	-287,351	-287,351	-287,351
Uninhabitable homes discount of 25% for 12 months	-10,617	-10,617	-10,617	-10,617	-10,617
Long term empty premium at 50%	-100,163	-100,163	-100,163	-100,163	-100,163
Reduction in expenditure based on % liability	0	-405,594	-476,692	-712,566	-946,218
Total funding gap/additional income	259,517	-146,077	-217,175	-423,049	-686,701
Funding gap/additional income for CDC based on 7%	18,166	-10,225	-15,202	-31,713	-48,069

4.0 Conclusion and Reasons for Recommendations

- 4.1 From April 2013 Council Tax Benefit was abolished and replaced with a local Council Tax Reduction Scheme. The Council is required to agree a scheme based on the reduced level of funding from Government
- 4.2 Members are now required to recommend a Council Tax Reduction Scheme to Council and it is recommended that members put forward option one which is a no change Council Tax Reduction Scheme for the 2019-2020 financial year. This option meets the objective of continuing to support residents whilst ensuring the scheme remains affordable.

5.0 Consultation

There is a requirement to consult with the public, major preceptors and other parties who may have an interest in the Council Tax Reduction Scheme on any material changes to the scheme. This is not considered to include changes for annual uprating in accordance with Government Regulations.

If members are minded to recommend to Executive a no change scheme officers consider that there will be no need to consult on the scheme for 2019-2020 and the Regulations will be updated to include appropriate text to make it clear that the Council will apply the uprating.

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not recommend any of the options for a scheme for 2019-2020. This would have financial implications for the Council and those residents affected by Welfare Reform.

Option 2: To decrease the level of support to Working Age claimants. This would have an impact on some of the most vulnerable residents in the district and may significantly impact on collection rates.

7.0 Implications

Financial and Resource Implications

7.1 See table contained in this report.

Comments checked by:

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Legal Implications

7.2 The Council is required to review its Council Tax Reduction Scheme on an annual basis and if it determines to make changes then it must consult on the revised scheme. Failure to do so will adversely affect the reputation of the Council and will have a financial implication for residents as well as exposing the Council to potential challenge for failing to comply with the legislative requirements of the Local Government Finance Act 1992.

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8.0 Decision Information

Key Decision

Financial Threshold Met: Not applicable

Community Impact Threshold Met: Not applicable

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priority of sound budgets and a customer focused Council

Lead Councillor

Councillor Tony Ilott Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
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