

Cherwell District Council

Executive

2 September 2019

Council Tax Reduction Scheme and Council Tax Discounts 2020-2021

Report of the Executive Director Finance (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 2020-2021 financial year to Council.

To provide an update on the Council Tax Reduction Scheme for 2019-2020 and to outline options for a Council Tax Reduction Scheme for 2020-2021

To seek approval to consult on the recommended option.

1.0 Recommendations

The Executive is recommended:

- 1.1 To note the contents of the report and any financial implications for the Council.
- 1.2 To consider the options for a Council Tax Reduction Scheme for 2020-2021 and to recommend option(s) for a full consultation process to be undertaken
- 1.3 To review the proposed level of Council Tax discounts and premiums 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 100% for properties that have remained empty for more than 2 years.

2.0 Introduction

- 2.1 In December 2018 members approved a Council Tax Reduction Scheme (CTRS) for Cherwell District Council for the financial year 2019-2020. The scheme remained the same as in 2018-2019 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.
- 2.4 The funding shortfall is mostly offset by the changes to locally set Council Tax Discounts and premiums.

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 slight decrease in the number of live cases from 6,607 in July 2018 to 6,457 in June 2019. This may be because people claiming Universal Credit are less likely to make a separate claim for Council Tax Reduction. We are currently working with DWP and other stakeholders to establish if this is the case and if so what can be done to support customers who may not be receiving support that they are entitled to.

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 £91,053 for the 2020-2021 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 £353,186 on our current forecasted number of dwellings affected.
- 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 £14,974 on our current forecasted number of dwellings affected.
- 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. New legislation was introduced in April 2019 which allows for 100% Empty Homes Premium to be levied and this was agreed by members in December 2018. The projected income for 2020-2021 from charging an Empty Homes Premium is £308,835 on our current forecasted number of dwellings affected.

Impact of Council Tax Reduction Scheme on collection rates

- 3.8 A Council Tax collection rate of 98.27% was achieved for 2018-2019 which was an improvement on the collection rate for the financial year 2017-2018 of 97.87%. Collection rates for the first two months of the 2019-2020 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 2020-2021

- 3.9 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.
- 3.10 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.

New landscape

- 3.11 Since the introduction of Council Tax Reduction Scheme for 2019-2020 a number of welfare reform changes have been applied to Housing Benefit. This means that the Housing Benefit administration is increasingly different from our local CTR scheme. This causes confusion for both residents and officers as the award criteria diverge and this will only increase as Housing Benefit is replaced by Universal Credit for

working age customers. Our scheme is becoming more confusing the administer for our customers and therefore is less “fit for purpose”.

- 3.12 Universal Credit (UC) Full Service has been rolled out in the Cherwell district area from November 2017. There are currently 3,549 claimants in Cherwell on UC and this is expected to increase by at least 80 people per week moving forward. As people move to UC the Housing Benefit caseload is expected to reduce. In Cherwell the Housing Benefit caseload has reduced from 8282 in November 2017 to 7388 in May 2019. Any future CTR scheme will need to cater for a mixed set of customer circumstances: those on HB and those on UC who may experience frequent updates to their Council Tax Reduction as a result of changes to their Universal Credit. Officers will need to work with colleagues in Revenues to support these customers.
- 3.13 UC is based on real time information. This means that any change in income generates a change in circumstance for Council Tax Reduction claims through data files received from DWP. Around 16,500 change files were received for Cherwell in 2018-2019 (over 300 a week) which under the current CTR scheme all resulted in reassessment of CTR entitlement. This is increasing the workload for the Benefits team but, more importantly, residents are receiving multiple Council Tax demands which is not only very confusing but also does not allow people to budget effectively adding additional stress and worry to those already managing on a low income.
- 3.14 At their meeting on 4 June 2019 members of Budget Planning Committee requested that some financial modelling be carried out on the option of a new banded scheme which would allow for a move towards a less complex scheme that is more adaptable to Universal Credit and that ensures that support is given to those residents who need it. Although savings are not the main driver for considering this change it would mitigate against expected increases in administration costs under UC.
- 3.15 At their meeting on 24 July 2019, Budget Planning Committee received a report outlining the options including that of a banded scheme and a presentation on the option of a banded scheme (a copy of which is attached at Appendix A of this report). Members of this Committee recognised that, although the banded scheme does continue to offer support to our most vulnerable residents, the financial modelling shows that there are winners and losers under an income banded scheme. Members therefore wanted assurance that a full consultation exercise would be carried out.
- 3.16 Members of Budget Planning Committee recommended to Executive (for consultation purposes only) the option of a banded scheme. If agreed a full consultation process will begin in September 2019 and a report on the results of the consultation will be considered by Budget Planning Committee in October 2019.
- 3.17 It is important that we continue to support those of working age who may be affected by any change in the scheme and, as such, members of Budget Planning Committee have also recommended that Executive consider a fund be agreed to help those people most affected by any changes to the scheme.

Options

Option 1 (recommended by Budget Planning committee) –A new banded income CTR scheme for those of working age.

This is an income-banded scheme which will assess the maximum level of Council Tax Reduction based on the net income of the applicant and household members.

The main principles of the scheme are as follows:

- If the applicant or partner is in receipt of one of the main passported benefits (Income Support, Job Seeker's Allowance Income Based and Income Related Employment and Support Allowance or receiving War Widows or War Disablement Pensions they will automatically be placed in the highest band of the scheme and will receive 100% support.
- Working age households will receive a discount, depending on their level of income and the band that they fall into.
- Under this scheme, as part of our ongoing commitment to support disabled people, we will continue to disregard Disability Living Allowance, Personal Independence Payments, War Disablement Benefits and will also continue to disregard Child Benefit and child maintenance.
- As highlighted earlier in this report the introduction of Universal Credit and Real Time Information files means that customers can experience frequent changes in their Council Tax Reduction which in turn impacts on the amount of Council Tax payable. This makes budgeting for households more of a challenge and is impacting on our ability to collect Council Tax. A banded scheme will be simpler for residents to understand and any future changes to the value of awards can be achieved by simply adjusting the banding thresholds. This will also mean that residents will experience less change in their Council Tax Reduction and will reduce the number of letters and Council Tax demands.
- The proposed model has a re-distribution effect from households in higher Council Tax bands to those in lower Council Tax bands.
- Savings are not the main driver for this change. The scheme offers only a very small reduction in costs and it is likely to result in administrative savings.

Option 2 – 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. This option was not recommended by as it would continue the move further away from the Housing Benefit and Universal Credit legislation which as outlined earlier in this report is both confusing for residents and costlier for the Council.

Option 3 – 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. This is effectively like Option 2 but with differing levels of support for our residents. This option was not recommended as it would offer reduced levels of support to vulnerable residents who may also be impacted by wider welfare reforms. Also, as with Option 2 this option would mean that the CTR scheme is increasingly different to the Housing Benefit legislation and this will only increase as Universal Credit replaces Housing Benefit. This leads to confusion for residents who will receive multiple bills and is administratively more of a burden for the Council.

Option 4 – To retain the current Council Tax Reduction scheme but to introduce a tolerance figure, whereby claims are not amended unless the change in income is over a set amount. No change to Council Tax Discounts

This option was not recommended as it would also mean that the CTR scheme is increasingly different to the existing Housing Benefit and Universal Credit legislation and although fewer changes would be actioned it would be confusing for residents and the administrative burden would remain.

Financial Summary of options 2-4

	100% of Council Tax liability	91.5% of Council tax liability	90% of Council tax liability	85% of Council tax liability	80% of Council tax liability
Overall funding loss to CDC	742,430	742,430	742,430	742,430	742,430
Second homes income	-91,053	-91,053	-91,053	-91,053	-91,053
Empty homes income with discount of 25% for 6 months	-353,186	-353,186	-353,186	-353,186	-353,186
Uninhabitable homes discount of 25% for 12 months	-14,974	-14,974	-14,974	-14,974	-14,974
Long term empty premium at 50%	-308,835	-308,835	-308,835	-308,835	-308,835
Reduction in expenditure based on % liability	0	-413,785	-486,378	-727,420	-966,068
Total funding gap/additional income	-25,618	-439,403	-511,996	-753,038	-991,686
Funding gap/additional income for CDC based on 7%	-1,793	-30,758	-35,840	-52,713	-69,418

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 consider the options contained in this report and to approve a consultation process to begin in September 2019. The results of the consultation process will be received by members of Budget Planning Committee at their meeting on 29 October 2019 and by Executive on 4 November 2019.

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.

Appendix B of this report shows the timetable for consultation with all affected parties.

Consultation has already taken place with members of Budget Planning Committee.

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.

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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 and Governance

Document Information

Appendix No	Title
A	Presentation on Banded scheme
B	Consultation timetable
Background Papers	
None	
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