

# **Cherwell District Council**

## **Council**

**14 December 2020**

### **Council Tax Reduction Scheme and Council Tax Discounts 2021-2022**

#### **Report of Director of Finance**

This report is public

#### **Purpose of report**

To seek approval for a Council Tax Reduction Scheme for the year 2021-2022 on the recommendation of Budget Planning Committee and Executive.

To provide members with an update on Council Tax discounts and to seek approval for the Council Tax discounts for 2021-2022.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To approve a Council Tax Reduction Scheme (CTRS) for the year 1 April 2021 to 31 March 2022 as set out in the report and to implement the scheme with effect from 1 April 2021.
- 1.2 To grant delegated authority to the Section 151 Officer to make amendments to the Council Tax Regulations up to and including 31 January 2021 for pensioners in line with uprating announced by MHCLG and to amend the Working Age Regulations in line with the new income banded scheme and the uprating announced by MHCLG.
- 1.3 To review the proposed level of Council Tax discounts and premiums for 2021-2022 and to approve the following:
  - 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 2019 members approved a Council Tax Reduction Scheme (CTRS) for Cherwell District Council for the financial year 2020/2021. The scheme remained the same as in 2019-2020 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 (CTRS)**

- 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 an increase in the number of live cases from 6,457 in June 2019 to 6,573 in June 2020. The increase in caseload is due to the impact from the Covid-19 crisis which has seen an increase in the number of new applications received for CTRS.

#### **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 taxpayers 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 eighth 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 £108,539 for the 2021-2022 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 June 2020 it is estimated that the additional income from this will be £387,492 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. At the time of writing this report there are no dwellings in this category.
- 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 2021-2022 from charging an Empty Homes Premium is £180,813 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 98.04% was achieved for 2019-2020. This was slightly lower than anticipated because of the onset of Covid-19 and the subsequent decision not to do any active recovery in March 2020. Recovery has now commenced following the re-opening of Oxford Magistrates Court. As at the end of October the collection rate was 64.37 against a target of 67.75%. In considering the Council Tax Reduction Scheme for 2021-2022 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 2021-2022**

- 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 2021-2022. For the purposes of calculating the new Council Tax Reduction scheme for 2021-2022 an assumption has been made that funding will remain at the reduced rate.

### **Update on banded scheme**

- 3.11 Since the introduction of Council Tax Reduction Scheme, the landscape has drastically changed. Universal Credit is based on real time information which means that any change in income generates a change in Council Tax Reduction through data files from DWP. Residents were receiving multiple bills and letters making budgeting very difficult.
- 3.12 In December 2019, the Council agreed a move to a new income banded scheme for those of working age. The presentation at Appendix A of this report offers a

reminder of the scheme details. The scheme assesses 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.

3.13 The new scheme was introduced from April 2020 following a period of consultation and engagement. In general, it has been well received with limited contact from customers affected by the change. The Council also agreed a hardship fund to assist those people who are negatively impacted by the new scheme but, to date, no applications for assistance have been received. This may be because residents have received a payment under the Government's Council Tax Covid support fund. Although collection rates are down on the same time last year this is attributable to the impacts from Covid-19 crisis rather than the new banded scheme.

3.14 CTRS expenditure has increased from around £7.1m to £7.5m, again this is due to the increase in caseload.

### 3.15 Options for 2021-2022

**Option 1 (recommended by Budget Planning Committee and Executive) – retain the current income banded income CTR scheme for those of working age with only minor changes to government uprating figures.**

This option would retain the 100% support for those people of working age who are on passported claims. It would also retain the current income bands and percentage of award.

### 3.16 Option 2a and 2b – Current banded scheme with a 1% or 2% decrease in percentage awards in each band.

This option would retain the 100% support for those people of working age who are on passported claims and would introduce a small decrease of 1% or 2% on maximum awards in each income band.

### 3.17 Option 3 – Banded scheme with a 1% increase in percentage awards in each band.

This option would retain the 100% support for those people of working age who are on passported claims and would introduce a small increase of 1% in the maximum awards in each income band. This option would be more advantageous to residents

## Financial summary of options

Group	Excess income bands	Option 1: Maximum CTR award (current scheme)	Option 2a: 1% decrease	Option 2b: 2% decrease	Option 3: 1% increase
Working age passported claims	n/a	Up to 100%	Up to 100%	Up to 100%	Up to 100%
Pension claims	n/a	Up to 100%	Up to 100%	Up to 100%	Up to 100%
Working age disabled	£0 - £4.99	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	£5 - £14.99	95%	94%	93%	96%
	£15.00 - £29.99	87%	86%	85%	88%
	£30.00 - £49.99	80%	79%	78%	81%
	£50.00 - £74.99	65%	64%	63%	66%
	£75.00 - £99.99	42%	41%	40%	43%
	£100.00 - £124.99	25%	24%	23%	26%
	£125 upwards	0%	0%	0%	0%
Working age with children	£0 - £4.99	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	£5 - £14.99	93%	92%	91%	94%
	£15.00 - £29.99	83%	82%	81%	84%
	£30.00 - £49.99	78%	77%	76%	79%
	£50.00 - £74.99	59%	58%	57%	60%
	£75.00 - £99.99	32%	31%	30%	33%
	£100.00 - £124.99	25%	24%	23%	26%
	£125 upwards	0%	0%	0%	0%

Working age - other	£0 - £4.99	96%	95%	94%	97%
	£5 - £14.99	85%	84%	83%	86%
	£15.00 - £29.99	73%	72%	71%	74%
	£30.00 - £49.99	66%	65%	64%	67%
	£50.00 - £74.99	42%	41%	40%	43%
	£75.00 - £99.99	28%	27%	26%	29%
	£100.00 - £124.99	18%	17%	16%	19%
	£125 upwards	0%	0%	0%	0%

<b>Cost of scheme</b>	<b>Option 1</b>	<b>Option 2a</b>	<b>Option 2b</b>	<b>Option 3</b>
Pension age	£2,882,238.52	£2,882,238.52	£2,882,238.52	£2,882,238.52
Working age	£4,695,257.03	£4,679,009.53	£4,661,814.12	£4,711,979.32
<b>Total</b>	<b>£7,577,495.55</b>	<b>£7,561,248.05</b>	<b>£7,544,052.64</b>	<b>£7,594,217.84</b>
<b>Income from second homes</b>	<b>£108,539</b>	<b>£108,539</b>	<b>£108,539</b>	<b>£108,539</b>
<b>Income from empty homes with 25% discount for 6 months</b>	<b>£387,492</b>	<b>£387,492</b>	<b>£387,492</b>	<b>£387,492</b>
<b>Uninhabitable homes with 25% discount for 12 months</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Long term empty premium at 100% after 2 years</b>	<b>£180,813</b>	<b>£180,813</b>	<b>£180,813</b>	<b>£180,813</b>

## **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 approve a Council Tax Reduction Scheme for the financial year 2021-2022 and are asked to give delegated Authority to the Section 151 Officer to make the required changes to the Council Tax Reduction Regulations up to and including 31 January 2021 in consultation with the Lead Member for Financial Management.
- 4.3 Members are also asked to agree that Council Tax discounts for 2021-2022 are set at the levels detailed in the report.

## **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.

Consultation has already taken place with members of Budget Planning Committee who recommended to Executive the option of no change to the current scheme and therefore no consultation is required. A report has been received by Executive.

## **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 2021-2021. This would have financial implications for the Council and those residents affected by Welfare Reform.

Option 2: 2a,2b and 3: as outlined in the report these options have been considered and discounted.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The financial consequences are detailed above, within the report, with an overall summary that the revised scheme will have a net shortfall of approximately £66,000 related to the increased caseload volumes following the Covid-19 impacts. This shortfall could be increased or decreased depending on the options decided, with for example reducing the award by 2% reducing the shortfall to an estimated



£33,000 with option 2b above or increasing the shortfall to an estimated £83,000 with a 1% increase in the award under option 3 above. To achieve a cost neutral scheme a reduction of 4% would be needed.

Comments checked by:

Michael Furness, Assistant Director Finance

01295 221845 michael.furness@cherwell-dc.gov.uk

### **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.

Comments checked by:

Chris Mace, Solicitor, 01295 221808

christopher.mace@cherwell-DC.gov.uk

### **Risk Implications**

- 7.3 Any risk has been highlighted in the report.

Comments checked by:

Belinda Green, Operations Director, CSN Resources, 01327 322182

belinda.green@csnresources.co.uk

### **Equality Implications**

- 7.4 An Equality Impact Assessment has been carried out based on the recommendations made in this report.

Comments checked by:

Belinda Green, Operations Director, CSN Resources, 01327 322182

belinda.green@csnresources.co.uk

## **8.0 Decision Information**

### **Key Decision**

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

### **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 number and title**

- Appendix A – Presentation on modelling for a banded scheme
- Appendix B – Contains examples of modelling impacts

## **Background papers**

None

## **Report Author and contact details**

Belinda Green, Operations Director CSN Resources  
01327 322182, [Belinda.green@csnresources.co.uk](mailto:Belinda.green@csnresources.co.uk)