

# Council

## Council Tax Reduction Scheme and Implications of the Local Government Resource Review

21 January 2013

### Report of Head of Finance and Procurement

#### PURPOSE OF REPORT

This Report informs Members of the new Council Tax Reduction Scheme that will be introduced from 1 April 2013, and seeks authority for the Director of Resources and Head of Finance and Procurement to make the necessary arrangements for implementation and to enable the setting of the 2013/14 taxbase.

This report is public

#### Recommendations

Council is recommended:

- (1) To approve the introduction of a local council tax reduction scheme as set out in Para 2.2 to 2.12 for the year 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 and implement the scheme with effect from 1<sup>st</sup> April 2013.
- (2) To allow for further amendments to the scheme up to and including 31<sup>st</sup> January 2013 as regulations are finalised, delegating authority to amend to the Director of Resources and the Head of Finance and Procurement in consultation with the Lead Member for Financial Management.
- (3) To delegate authority to the Director of Resources and the Head of Finance and Procurement to make amendments as required to the local CTRS Regulations in consultation with the Lead Member for Financial Management.
- (4) To resolve to amend the proposed changes to Council Tax Discounts and Exemptions as detailed in Appendix 1.
- (5) To delegate approval of the NNDR1 form to the Director of Resources in consultation with the Lead Member for Financial Management.

## Executive Summary

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### Introduction

- 1.1 The Local Government Resource Review has identified a number of policy and financial implications that Council's need to consider. As part of the 2013/14 budget process and in setting the 2013/14 tax base the Council must consider the implications of the demise of the council tax benefit scheme, reduction in applicable grant funding for the new scheme and changes to the importance of business rates growth and the recording of this growth.
- 1.2 From April 2013, council tax benefit will be replaced by a locally defined council tax reduction scheme. All local authorities have been tasked with producing their own scheme to meet this requirement.
- 1.3 The only stipulation is that pensioners currently in receipt of council tax benefit are protected under the new scheme and that at least **10% savings** must be made to the overall cost of providing the scheme.
- 1.4 Oxfordshire councils including the County Council and Thames Valley Police have worked together in deciding upon a local scheme. Rather than make reductions in the level of support that customers will receive, it was recommended that for year one of the scheme, additional income would be generated using technical changes to council tax discounts and exemptions.
- 1.5 The scheme must be finalised on or before 31<sup>st</sup> January 2013 or the default scheme will come into operation.
- 1.6 The Council is recommended to support the scheme as outlined in paragraph 2.2 to 2.12.
- 1.7 The scheme will primarily mirror the existing council tax benefit regulations with some small amendments relating to pension age and working age. Work is being done on this Oxon wide and final authority is sought to delegate final approval of the regulation changes to the Head of Finance and Procurement in consultation with the Lead Member for Financial Management.
- 1.8 On the basis that the scheme will remain as is for Year 1, the financial implication of the 10% cut in funding will need to be covered. As per paragraph 1.3 it was proposed that these reductions would be covered by exercising the Billing Authority's discretions under the Local Government Finance Act 2012 to provide the Council Tax discounts and exemptions as set out in Appendix 1.
- 1.9 Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012) a proportion of non-domestic rates will in future be retained locally rather than paid into the central pool. This greatly increases the importance of the NNDR1 form which

will set the anticipated amount of nondomestic rates that will be collected in the coming year and will therefore determine the respective shares between central government, this council and Oxfordshire County Council. Council approval as billing authority is a new requirement and there is no specific delegation to officers to approve and submit it on behalf of the council.

- 1.10 Council is asked to delegate approval and submission of the form to the Director of Resources (section 151) officer, in consultation with the Lead member for Financial Management.

### **Conclusion**

- 1.11 This report has considered the policy implications of some of the changes connected with the LGRR.
- 1.12 The steps required for setting the council's budget and council tax for 2013/14 are well underway and reports will be submitted to Council in February as usual. This year's process is however more complex because we are dealing with new legislation and the receipt of regulations at a late stage coupled with the fact that the government settlement was received much later in December than usual.
- 1.13 Cherwell District Council must approve a local council tax reduction scheme before 31<sup>st</sup> January 2013 or will be subject to the default scheme.
- 1.14 The regulations are still being finalised so delegation(s) are sought to authorise the Director of Resources and the Head of Finance and Procurement to make amendments as required to the local CTRS Regulations and scheme in consultation with the Lead Member for Financial Management up until the 31 January 2013.
- 1.15 Cherwell District Council must also approve the amendments to discounts and exemptions as detailed in Appendix 1 ahead of setting its tax base for 2013/14 (agenda Item 11) and setting the 2013/14 budget.
- 1.16 The final NNDR 1 form must be completed and submitted by 31 January 2013, after being approved by the council as billing authority. Council is asked to delegate approval and submission of the form to the Director of Resources (section 151) officer, in consultation with the Lead member for Financial Management.

### **Background Information**

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- 2.1 The Council has been actively analysing the implications of the Local Government Resource review for the last 12 months and has been taking regular reports to the Executive and scrutiny committees.

## **Council Tax Reduction Scheme**

- 2.2 The Welfare Reform Act which received Royal assent on 8<sup>th</sup> March 2012 abolishes both Housing and Council Tax Benefit (CTB). Housing costs will be met through Universal Credit (UC) on a phased approach from October 2013. CTB will be replaced by a local Council Tax Reduction Scheme (CTRS) which must be agreed by 31<sup>st</sup> January 2013 and implemented with effect from 1<sup>st</sup> April 2013.
- 2.3 CTB has previously been funded in full by the Department for Work and Pensions (DWP). However under the new arrangements funding for the new scheme will be based on a fixed cash grant based on approximately 90% of the current CTB subsidy. Council Tax benefit [CTB] will be replaced by the Council Tax reduction scheme [CTRS] from 1 April 2013.
- 2.4 This local scheme must be approved by the Council as billing authority by 31 January 2013 otherwise a default scheme will apply. The scheme must be in accordance with a new Section 13A of the Local Government Finance Act 1992, which is to be inserted by Section 9 of the LGFB 2012 once enacted, and the Draft Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012.
- 2.5 CTB is currently fully funded by the Department of Work and Pensions; however the new scheme will see funding reduced by at least 10%. To make good the shortfall in funding – 10% cut; amendments are to be made to certain council tax discounts and exemptions as set out in Appendix 1.
- 2.6 The government has stipulated that pensioners should be protected, along with any other groups of people at the billing authority's discretion. Cherwell District Council has decided not to include any other groups in the protected list for year 1 of the scheme.
- 2.7 In essence, the scheme proposed for Oxfordshire will mirror the existing CTB scheme in that people who currently receive CTB will continue to receive the same amount of CTRS as long as their circumstances do not change. Applications will be made as before and the allowances and deductions will remain the same. Any existing customers in receipt of CTB will automatically migrate to CTRS from 1 April 2013.
- 2.8 The scheme has been subject to consultation with local residents and major and local preceptors. The full details of the consultation were reported to the Executive in November 2012 but the headlines showed that 50% of residents who responded favoured maintaining a scheme and only 14% disagreed.
- 2.9 The other Oxfordshire councils found a similar position from their own consultations.
- 2.10 An equality impact assessment has been carried out and there are no

implications for consideration.

- 2.11 The CTRS has been devised and agreed by all major preceptors in Oxfordshire and this initial scheme will cover year 1. During the course of year 1, the group will continue to meet to review and revised the proposed scheme and make further amendments if necessary.
- 2.12 Each local scheme must have a set of rules and regulations which are currently being written by the Oxfordshire group and will be subject to legal scrutiny to ensure they are robust enough to withstand a legal challenge. These will be finalised by the required date of 31st January 2013 and delegation is sought for the Director of Resources and the Head of Finance and Procurement in consultation with the Lead Member for Financial management, to make any amendments to the scheme as necessary when final regulations are available.

### **Effect on Council Taxbase**

- 2.13 As a result of various changes in legislation for 2013/14, particularly the replacement of Council Tax Benefit with a Local Council Tax reduction Scheme, there are changes to the way the taxbase is calculated and funding available. This is detailed further in Agenda Item 11.

### **Transitional Funding**

- 2.14 On 15<sup>th</sup> October 2012 the Government announced an additional £100m transitional funding grant to support local authorities in developing their schemes. The funding will be for one year only and applications must be made after 31<sup>st</sup> January 2013 but before the deadline of 15<sup>th</sup> February 2013. This may mean that the scheme will need to change for year 2 and transitional protection may need to be considered.
- 2.15 To apply for a grant billing authorities must meet certain criteria when designing a new scheme:
- Those people who would be entitled to 100% support under the current CTB arrangement pay between zero and 8.5% of their Council Tax liability
  - The taper that is currently in place must not increase above 25%.
  - There must be no sharp reduction in support for those entering work
  - There must be no large increases in non-dependant deductions.
- 2.16 Applications for funding can only be made after the deadline for adopting schemes on 31 January 2013. The deadline for applications is 15 February 2013.
- 2.17 As we are planning no changes in Year 1 we could meet the criteria for 0% change. If deemed to comply with the requirements the allocation for Cherwell District Council would be eligible for the grant and the shares will be as follow: Cherwell £23,962, County £136,269 and TVP £18,099

- 2.18 As the billing authority Cherwell District Council would have to apply for the funds (in February 2013) on behalf of all major preceptors so we would apply for £178,330 but keep £23,962. Proposals for the use of these funds are outlined in Agenda Item 11.

### **Council Tax Discounts and Exemptions**

- 2.19 The Local Government Finance Act 2012 contains technical reforms to Council Tax discounts and exemptions enabling the Council, as the Billing Authority, to determine how the discounts and exemptions should be applied.
- 2.20 As per Para 2.5 CTB is currently fully funded by the Department of Work and Pensions, however the new scheme will see funding reduced by at least 10%. To make good the shortfall in funding – 10% cut; amendments are to be proposed to certain council tax discounts and exemptions.
- 2.21 The Local Government Finance Act 2012 introduces new powers to Billing Authorities allowing them greater discretion in setting discounts and exemptions. It should be noted that the provision with regard to mortgagees in possession (Class L) has not been commenced with the other provisions of the LGFA 2012.
- 2.22 It is recommended that with effect from 1<sup>st</sup> April 2013 the Council determines to exercise the following powers in order to generate additional income:
- Remove discount for 2<sup>nd</sup> Homes
  - Reduce Class A Discount for Uninhabitable Properties
  - Reduce Class C Discount for empty and unfurnished properties
- 2.23 Under the Local Government Finance Act 2012, Cherwell District Council is allowed to charge an additional council tax premium of 50% on property which is classed as long term empty. This is property which has been empty for two years or more. At this time, the change is not proposed, although it may be brought back for members to consider in the future should any further reduction in the funding for the Council Tax Reduction Scheme be announced.

### **National non-domestic rates 1 form (NNDR1)**

- 2.24 Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012) a proportion of non-domestic rates will in future be retained locally rather than paid into the central pool. This greatly increases the importance of the NNDR1 form which will set the anticipated amount of non-domestic rates that will be collected in the coming year and will therefore determine the respective

shares between central government, this council and Oxfordshire County Council.

- 2.25 A provisional NNDR1 was submitted to the Department for Communities and Local Government (DCLG) by 21 December 2012 and the final NNDR1 must be submitted by 31 January 2013, after being approved by the council as billing authority.
- 2.26 Council approval as billing authority is a new requirement and there is no specific delegation to officers to approve and submit it on behalf of the council. Council is asked to delegate approval and submission of the form to the Director of Resources (section 151) officer, in consultation with the Lead Member for Financial Management.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 If the introduction of a scheme is not approved, the default scheme will apply.
- 3.2 Extensive work has been undertaken with partners in Oxfordshire and all have agreed that the proposed scheme is the best way forward in year one.
- 3.3 Alternative schemes were considered but would have resulted in either customers being financially worse off or other savings having to be made by the council.

The following options have been identified. The approach in the recommendations is believed to be the best way forward:

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| <b>Option One</b>   | A local council tax reduction scheme is not approved and the default scheme is adopted. Amendments to discounts and exemptions are not approved.  |
| <b>Option Two</b>   | The proposed local council tax reduction scheme is agreed and discounts and exemptions are approved.  |
| <b>Option Three</b> | That another local council tax reduction scheme found which does not protect those currently in receipt of council tax benefit and an alternative range and changes to discounts and exemptions explored. |

### **Consultations**

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| <b>Consultation with local residents and interested parties</b> | District Wide – residents and Other Preceptors<br>See November Executive 2012 |
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## Implications

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**Financial:** The financial implications of this report are included in the detail and will feature in the 2013/14 revenue budget proposals in February 2013.

Comments checked by Karen Muir, Project and Technical Accountant, 01295 221551.

**Legal:** The new legal obligations imposed on the Council as billing authority by the Local Government Finance Act 2012 are set out fully in the report.

Comments checked by Kevin Lane, Head of Law and Governance 0300 0030107

**Risk & Equality** The CTRS has been subject to an equality impact assessment and it was deemed that there were no implications for consideration.

Comments checked by Karen Muir, Project and Technical Accountant, 01295 221551.

## Wards Affected

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All

## Corporate Plan Themes

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## Lead Member

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**Councillor Atack**  
**Lead Member for Financial management**

## Document Information

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Appendix No	Title
Appendix 1	Council Tax discounts and exemptions
<b>Background Papers</b>	
Results of Council Tax Reduction Scheme consultation	
<b>Report Author</b>	Karen Curtin, Head of Finance and Procurement
<b>Contact Information</b>	0300 003 0106 <a href="mailto:karen.curtin@cherwellandsouthnorthants.gov.uk">karen.curtin@cherwellandsouthnorthants.gov.uk</a>