

Executive

Annual Review of Council Tax, Business Rates and Benefits Discretionary Powers

1 December 2008

Report of Head of Exchequer

PURPOSE OF REPORT

To review the reliefs currently awarded under the discretionary powers the Council has in relation to council tax, business rates and housing and council tax benefits and decide whether any changes should be made to take effect from 1 April 2009.

This report is public

Recommendations

The Executive is recommended:

- (1) To note the Head of Exchequer's decision to offer 4 dates for payment by direct debit to council tax and business rate payers; the dates being 1st, 9th, 18th and 25th of each month from 1 April 2009.
 - (2) To resolve to continue with the discretionary awards that it resolved to give on 3 December 2007, which are:
 - a) Not to offer any reduction for early lump sum payments, as provided for by Regulation 25 of the Council Tax (Administration and Enforcement) Regulations 1992.
 - b) Not to offer any reductions to encourage taxpayers to use particular methods of payment, as provided for by Regulation 26 of the Council Tax (Administration and Enforcement) Regulations 1992.
 - c) To continue the local scheme disregarding the whole of any War Widows Pension or War Disablement Pension when calculating entitlement to Housing Benefit or Council Tax Benefit.
 - d) To continue with the practice established in 2004/05 of reducing the Council Tax discount for second homes from 50% to 10%, except for annexes that are not otherwise exempt and are occupied by families as part of their main residence, which from 1 April 2008 have been excluded from this provision.
 - e) To continue with the practice established in 2004/05 of reducing the Council Tax discount for long-term empty properties to nil.
 - f) To continue with the present practice of awarding 100% rate relief to charity shops; village halls; community centres and premises used for scouting and other youth groups.
 - g) To retain the existing levels of discretionary rural rate relief.
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Executive Summary

Introduction

- 1.1 There are various discretionary powers contained within the Council Tax, Housing Benefit and Business Rates legislation, all of which are reviewed annually.
- 1.2 Any resolution to amend a discretionary power relating to Council Tax must be made before the Council Tax for the next financial year is set. Similarly, with Business Rates, it is important to establish the criteria that will apply for all classes of discretionary relief prior to annual billing taking place.

Proposals

- 1.3 To improve the service we offer our council tax payers the Head of Exchequer plans to increase the number of dates when council tax payers can pay by direct debit from 2 per month to 4 per month and for Business Rates payers from 1 to 4 per month.
- 1.4 There are no proposals to amend any of the discretionary powers in relation to council tax, business rates or housing and council tax benefit. For further information in relation to the current use of these discretionary powers please see the Background Information that forms part of this report.

Conclusion

- 1.5 As a billing authority this Council has various discretionary powers that it is required to consider in relation to Council Tax, Council Tax and Housing Benefits and Business Rates. It is good practice to review the effects of the previous decisions made in relation to the exercise of these discretionary powers on a regular basis. This ensures that the discounts and reliefs previously approved are still effective and provides the opportunity for Members to consider any representations received for variations to the existing discretionary schemes.

Background Information

2.1 Due Date for Monthly Instalments in 2009/2010

The Scheme of Reference and Delegation authorises the Head of Exchequer to determine the due date(s) for payment of Council Tax and Business Rates monthly instalments. For several years, the due date for both has been 1st of the month, although Council Tax payers paying by direct debit also have the option of paying on 18th of the month.

70% of Council Tax payers now pay by direct debit. Of these, 49.43% pay on 18th of the month. However, given the current global credit crisis, extra payment dates for direct debit payers are to be introduced on the 9th and 25th of the month. Business rates payers will also be offered the full range of direct debit dates. Currently 56% of business rate accounts are paid by direct debit, all on the 1st of the month.

For all other methods of payment it is intended that instalments will remain payable on the 1st of each month, commencing on 1st April, or as soon as practical thereafter.

2.2 Council Tax Discretionary Powers

2.2.1 Reductions for Lump Sum Payments

Discretionary powers allow billing authorities to offer a percentage discount for early payment of the full year's council tax bill. To qualify for the discount the taxpayer must pay the full year's bill, less any discount, before the first instalment falls due. A discount must also be available for accounts issued during the financial year in respect of new occupiers, providing payment in full is received before the date on which the first instalment would otherwise become due.

Some people already pay their council tax in one lump sum at the start of the year. Offering a discount might encourage a few others to pay this way, but it is unlikely that the numbers would be anywhere near sufficient to make this worthwhile as the administration costs would be likely to outweigh any financial advantage.

For these reasons there are no proposals to offer reductions of this nature.

2.2.2 Reductions for Non-Cash Payments

The Council's preferred method of payment is direct debit, this being by far the most economical and reliable of the options available. The numbers paying by this method have increased steadily over recent years. Although there are now facilities to pay over the internet or the automated telephone service by debit/credit card and at Post Offices and Paypoint agents, these do not appear to have adversely affected the numbers paying by direct debit.

The regulations permit the operation of a discount scheme to encourage tax payers to use non-cash methods of payment, such as direct debit. However, it is anticipated that little would be gained from offering a discount of this nature. If anything, it would simply result in greater expense, as a result of cost and administration implications.

For these reasons it is recommended that discounts of this nature are not offered.

2.2.3 Council Tax Benefit

On 1 December 1992, (Minute F67/92 refers), the Council resolved to amend its scheme to disregard all income from a person's war disablement or war widow's pension, when calculating their net weekly income for Housing Benefit or Council Tax benefit purposes.

The cost to the Council of this local scheme has remained at a similar level for the last 2 years and, on the basis of the estimate for the current year, there will be a drop in expenditure this year in relation to housing benefit.

Local Scheme	Total nos of cases	Housing Benefit	Council Tax Benefit	Total cost of local scheme
2006/07	39	£38,447	£16,021	£54,468
2007/08	37	£35,939	£15,221	£51,390
2008/09* *(estimated)	30	£28,600	£15,500	£44,100

This local scheme provides valuable assistance for the claimants concerned. Any reduction in the amount to be disregarded could result in hardship for some claimants, therefore continuation of the local scheme is recommended.

2.3 **Council Tax Discounts**

- 2.3.1 In 2004/05 the government introduced a discretionary power for billing authorities to reduce the discount awarded for second homes from 50% to 10%. This council resolved to apply this reduction, which has remained in force since 1 April 2004.
- 2.3.2 Although this change generates only a small amount of additional income for the authority, it is nevertheless beneficial, as it is for the other precepting authorities.
- 2.3.3 Also in 2004/05 the government gave billing authorities the discretion to reduce the discount given for long-term empty properties to nil, where this had previously stood at 50%. Again this authority resolved to implement this change and, again, this has resulted in a small amount of extra income, both for this authority and other precepting authorities.
- 2.3.4 As well as providing additional income, this is also a means of discouraging property owners from keeping dwellings unoccupied.
- 2.3.5 In 2007/08 a locally defined discount was introduced for separately banded annexes occupied by the same household as the main dwelling. When this discount was approved, in December 2007, there were 35 such annexes. As at 31 October 2008 the number qualifying for this discount has increased to 53. This increase has resulted in additional discount of £5,897 being awarded.
- 2.3.6 The increase in this locally defined discount is due to further annexes that meet the criteria being identified since December 2007. Given that some increase was likely and that the majority of qualifying properties have now been identified there is no recommendation to vary the level of discount for 2009/2010.

2.4 Business Rate Relief

2.4.1 The rating legislation provides for relief to be given in certain circumstances. In addition to those properties for which 80% mandatory relief is awarded, the Head of Exchequer has the delegated authority to consider applications for discretionary relief under the Scheme of Reference and Delegation. For several years it has been the Council's policy to award such relief as follows:

(a) 80% discretionary relief to be granted where a property qualifies for discretionary relief;

(b) An additional 20% discretionary relief to be granted to village halls, community centres, charity shops, scouting and other youth groups. In all cases the properties concerned will already qualify for either mandatory or discretionary relief.

2.4.2 The cost to the Council for providing this relief varies depending on the type of relief awarded. A breakdown of the Council's expenditure for providing relief in the current financial year is shown in the following table.

Details of Rate Relief Awarded – 2008/09				
	Amount of relief	% to be met by CDC	Cost to CDC	Number of cases
Discretionary	£74,228	25%	£18,557	48
Mandatory	£1,524,407	0%	£0	210
Top-up	£56,582	75%	£42,437	88
Rural discretionary	£17,163	25%	£4,291	5
Rural mandatory	£57,385	0%	£0	52
Rural top-up	£57,385	25%	£14,346	52
Total			£79,631	

2.4.3 From the above table it can be seen that for the current year the total cost to the authority of providing relief is £79,631, which is £4,638 more than in 2007/8. Although there has been an increase of 5.8% over the last year, the amount of relief awarded over recent years has, overall, been relatively unchanged. The table below shows the levels of relief for the previous 4 years.

Costs of Rate Relief 2004/05 to 2007/08				
	2004/05	2005/06	2006/07	2007/08
Discretionary	£26,480	£21,480	£22,143	£24,015
Mandatory	£0	£0	£0	£0
Discretionary Top-up	£33,155	£30,651	£29,898	£33,712
Rural Discretionary	£4,187	£3,561	£3,754	£3,996
Rural Mandatory	£0	£0	£0	£0
Rural Top-up	£12,233	£11,758	£12,153	£13,270
Total	£76,055	£67,450	£67,948	£74,993

2.4.4 It can be seen that the most costly item is discretionary top-up relief so, if the authority were minded to try and reduce its expenditure in any way, this is the area most likely to achieve any significant savings. However, this would entail reducing the relief awarded to the classes of property shown in paragraph 2.4.1 (b) above.

2.4.5 In the discretionary powers report in 2003/4 a breakdown was provided of the component parts of this cost and it was evident that by far the largest single item of expenditure was for charity shops. That situation has not changed. So unless the additional relief was withdrawn from charity shops, there would be no appreciable saving and, even then, the difference to the authority would be very small.

2.4.6 There is a similar situation with The Rural Rate Relief Scheme, which provides for mandatory and/or discretionary relief to be awarded where certain conditions are satisfied. The authority has only to fund 25% of either the discretionary rural rate relief or the rural top-up, so the actual cost of assisting those rural businesses that receive relief is relatively small. For this reason there are no recommendations to change the current practice.

	Amount of relief	% to be met by CDC	Cost to CDC	Number of cases
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Rural mandatory	£57,385	0%	£0	52
Rural top-up	£57,385	25%	£14,346	52

Key Issues for Consideration/Reasons for Decision and Options

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

- Option One** To offer additional direct debit dates on 9th and 25th of the month for Council Tax payers and additional dates of 9th, 18th and 25th to Business Rate payers. This will help local residents and businesses during the global credit crisis to manage their budgets and cash flow whilst maintaining their payments of Council Tax and Business Rate.
- Option Two** To make no change to the current instalment arrangements and miss out on the opportunity to encourage more council tax and business rate payers to pay by direct debit.

Consultations

None No consultation has been undertaken with specific regard to the exercising of these powers as they provide the same or better discounts and reliefs than our neighbouring authorities and no challenges have been received, to date, in relation to the levels of discount or relief available.

Implications

Financial: The proposed budget provision for discretionary rate relief of £88,911 for 2009/10 allows for an increase in excess of the rate of inflation as expenditure in 2008/09 to date has already exceeded the budget provision. See paragraph 2.4.2 of the Background Information in this report for expenditure to date.

The introduction of the new rate of discount for property annexes occupied by the family as part of their main residence has had little effect on the taxbase and will have a minimal impact on the amount of council tax charged per Band D equivalent.

Comments checked by Denise Westlake, Service Accountant for CS and R, 01295 221559

Legal: There are no changes being recommended that have any legal implications.

Comments checked by Pam Wilkinson, Principal Solicitor 01295 221688

Risk Management: There are risks arising from the use of discretionary powers in relation to the collection of Business Rates and Council Tax, in that decisions made can affect both the levels of income collected and the timing of payments received, with potential resultant cash flow implications. In the current global financial crisis, there is a risk that by not offering people greater flexibility for their payments they may fall behind with instalments which in turn will affect the Authority's cash flow.

Comments checked by Rosemary Watts, Risk Management & Insurance Officer, 01295 221566.

Wards Affected

'All'

Corporate Plan Themes

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Executive Portfolio

Councillor James Macnamara
Portfolio Holder for Resources

Document Information

Appendix No	Title
Appendix [X]	None
Background Papers	
None	
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