

Cherwell District Council

Budget Planning Committee

4 June 2019

Council Tax Reduction Scheme 2020-2021

Report of the Executive Director Finance (interim)

This report is public

Purpose of report

To provide members of Budget Planning Committee with an update on the current Council Tax Reduction Scheme and the changes to discounts, including the impact on collection rates.

To provide members with options to consider for a Council Tax Reduction Scheme for 2020-2021.

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 consider a review of the current Council Tax Reduction Scheme and to receive a further report on financial modelling for a new banded scheme and other options.

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 mirrors 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.

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 6,607 in June 2018 to 6457 in May 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 affect 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 we do 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 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 we continue to set the discount at zero it is estimated that this will result in additional income of £91,053 for the 2020-2021 financial year.
- 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 May 2019 it is estimated that the additional income from this will be £353,186.
- 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 for the financial year 2020-2021.
- 3.7 Prior to 1st 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

Impact of Council Tax Reduction Scheme on collection rates

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

- 3.8 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 2020-2021. For the purposes of calculating the new Council Tax Reduction scheme for 2020-2021 an assumption has been made that funding will remain at the reduced rate

New landscape

- 3.10 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 has the potential to cause confusion for both residents and officers as the award criteria become increasingly different and this will only increase as Housing Benefit is replaced by Universal Credit for working age customers. Members may feel that our current Council Tax Reduction scheme is now less 'fit for purpose'.
- 3.11 Universal Credit (UC) Full Service was rolled out in the Cherwell district from November 2017. There are currently 3,549 claimants in Cherwell on UC and this 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.
- 3.12 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. Members may wish to consider a simplification of the current CTR scheme.
- 3.13 Any review of the CTR scheme will need to follow the following principles:
- Fair to all residents (so not just those currently entitled to CTR)

- Affordable and transparent to administer
- Protect our most vulnerable residents
- Continues to protect those of pensionable age
- Manage the impact of UC and access to CTR

Options

Option 1 –To introduce a banded income CTR scheme for those of working age.

A banded scheme will assess the maximum level of Council Tax Reduction based on the income of the household. Income will be grouped into bands and providing the income of the household remains within the same income band no change of CTR will be required. The income bands can be set at a local level.

To keep the scheme simple and to offer the maximum protection to the most vulnerable residents if a customer receives a passported benefit such as Income Support they could automatically receive maximum support.

Banded schemes have been adopted by a number of Councils nationwide and are designed to support the most vulnerable residents in the ever changing landscape of welfare reform.

A banded scheme will also reduce administration costs by removing the need to undertake multiple reassessments of CTR claims and the issue of revised bills when a minor change in income occurs.

Appendix A of this report shows an example of income bands used in such a scheme. Please note that the income bands are just for illustration purposes and can be set accordingly for Cherwell based on the modelling.

If members would like to consider this option detailed modelling will need to be undertaken and software will need to be purchased (at a cost of around £3,000).

Risks and Opportunities Option 1

	Risks	Opportunities
Customers		<ul style="list-style-type: none"> • Simpler scheme • Fewer changes to entitlement. • Reduction in number of letters issued • Fewer bills issued • Positive impact on budgeting for those on low income • May be easier to understand and therefore likely to support those entitled to apply
Council	<ul style="list-style-type: none"> • Would require financial modelling to determine bands and impacts 	<ul style="list-style-type: none"> • Those residents on passported benefits could be in most generous band so reducing administration

		<p>costs</p> <ul style="list-style-type: none"> • Protects most vulnerable customers • Software available • Reduced admin costs • Simple scheme • May improve collection rates.
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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

Risks and Opportunities Option 2

	Risks	Opportunities
Customers	<ul style="list-style-type: none"> • As HB admin and CTR scheme diverge it will become confusing for residents • Customers will continue to get multiple demands leading to confusion and budgeting issues. 	<ul style="list-style-type: none"> • Those currently on the scheme already understand and changes will need to be explained
Council	<ul style="list-style-type: none"> • Current 100% scheme may not always be affordable for district or major preceptors • Complex scheme to administer • Resource intensive 	

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% can be modelled. This is effectively similar to Option 2 but with differing levels of support for our residents

Risks and Opportunities Option 3

	Risks	Opportunities
Customers	<ul style="list-style-type: none"> • As HB admin and CTR scheme diverge it will become confusing for residents • Customers will continue to get multiple demands leading to confusion and budgeting issues. 	<ul style="list-style-type: none"> • No changes for those customers already used to the current scheme in terms of the way it is administered
Council	<ul style="list-style-type: none"> • Current scheme of 100% may not always be affordable for district or major preceptors • Complex scheme to administer • Resource intensive • Impact on vulnerable residents impacted by other welfare reforms • Impact on collection rates • May need to consider increased use of exceptional hardship scheme 	<ul style="list-style-type: none"> • Delivers savings as schemes with reduced support less expensive

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

	Risks	Opportunities
Customers	<ul style="list-style-type: none"> As HB admin and CTR scheme diverge it will become confusing for officers and residents 	<ul style="list-style-type: none"> If a tolerance level was agreed fewer demands would be issued so less confusing budgeting easier for those on low incomes
Council	<ul style="list-style-type: none"> Current scheme may not always be affordable for district or major preceptors Complex scheme to administer Need to investigate as to whether software system would allow this option and full testing required 	<ul style="list-style-type: none"> Tolerance level would reduce administration costs Fewer demands would be issued May have positive impact on collection rates

Option 5 - Combination of the options shown above

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.
- 4.2 Members are now required to consider the options for a scheme for 2020-2021. If members would like to consider a new banded scheme financial modeling will be undertaken and a further report will be received by members of Budget Planning Committee.

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. It is considered that this does not include changes for annual uprating in accordance with Government Regulations.

If members would like to consider a new banded scheme then full consultation will need to be undertaken.

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 2020-2021This would have financial implications for the Council and those residents affected by Welfare Reform.

7.0 Implications

Financial and Resource Implications

- 7.1 As outlined in the 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
Appendix A	An example of income bands for a banded CTR scheme
Background Papers	
None	
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