

Cherwell District Council
Budget Planning Committee

26 July 2016

Council Tax Reduction Scheme 2017-2018

Report of the Chief Finance Officer

This report is public

Purpose of report

To provide members with an update on the implications of the current Council Tax Reduction Scheme (CTRS) and the changes to discounts, including the impact on collection rates, and to provide members with options to consider for a Council Tax Reduction Scheme for 2017-2018 so that consultation may be undertaken.

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 recommend to Executive which option(s) should be considered for the CTRS for 2017-2018 so that consultation may be undertaken.

2.0 Introduction

- 2.1 In December 2015 members approved a Council Tax Reduction Scheme (CTRS) for Cherwell District Council for the financial year 2016-2017. The scheme remained the same as in 2015-2016 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. However Cherwell District Council can design its own scheme for working age customers.
- 2.3 The Council Tax Reduction scheme is based on a fixed cash grant based on approximately 90% of the previous Council Tax Benefit subsidy giving 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 small decrease in the number of live cases from 7,513 in April 2015 to 7193 in July 2016

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. The Council passports a grant to parish councils to mitigate the impact on them.

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 £76,755 for the 2017-2018 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. This will result in additional income of £308,018.
- 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 £22,162.
- 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 2 years. From April 2013 powers were given to local authorities to charge a premium of up to 50% of the council tax payable. The projected additional income from charging an Empty Homes Premium is £94,560. If this causes more long term empty properties to be brought back into use it will have a beneficial impact on New Homes Bonus.

Impact of Council Tax Reduction Scheme on collection rates

A council tax collection rate of 98.65% was achieved for 2015-2016 which was above the target of 98.25%. Collection rates for the first three months of the 2016-2017 are on target. In considering the Council Tax Reduction Scheme for 2017-2018 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.

Budget implications

The budget of 2015 announced a change to Tax Credits in that from April 2017 households with two or more children will not be eligible for further support for any subsequent children born after April 2017. In addition to this for those starting a family after April 2017 will no longer be eligible for the Family Element in tax credits. This means that Tax Credit may reduce from April 2017. As this change has the impact of reducing household income it follows that those families affected will receive more Council Tax Reduction. It is impossible to estimate the impact of this change on CTR expenditure this will be carefully monitored from April 2017.

Council Tax Reduction Scheme 2016-2017

- 3.8 Members will be aware that the national 10% reduction in government funding for Council Tax Reduction Schemes over the last four has been offset by the additional income generated by changes to discounts.

The Government has not yet released indicative figures for 2017-2018. For the purposes of calculating the new Council Tax Reduction scheme for 2017-2018 an assumption has been made that funding will reduce again by 10%

- 3.9 Financial modelling on the options for a new scheme for 2017-2018 has been undertaken as shown below:

Options

Option 1 – No change to current local Council Tax Reduction scheme or Council Tax discounts and amending the Regulations for changes announced in the Budget

The 'change nothing' approach would mean retaining the current Council Tax Reduction Scheme. The only changes required would be to the detail of the scheme and updating the Regulations. The shortfall in funding would be offset, in part, by the changes made to discounts in Council Tax.

Option 2 – 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. Percentage reductions of 8.5%, 10%, 15% and 20% have been modelled.

Financial Summary of options

	100%	91.5%	90%	85%	80%
	£	£	£	£	£
Overall funding loss	742,430	742,430	742,430	742,430	742,430
Second homes income	-76,755	-76,755	-76,755	-76,755	-76,755
Empty homes discount of 25% for up to 6 months; no change in policy since 2013 so no additional income	£308,018	£308,018	£308,018 0	£308,018 0	£308,018 0
Uninhabitable homes discount of 25% for 12 months	-22,162	-22,162	-22,162	-22,162	-22,162
Long term empty premium	-120,843	-120,843	-120,843	-120,843	-120,843
Reduction in expenditure based on % liability	0	-333,745	-392,641	-588,962	-785,283
Total funding gap (+)/additional income (-)	291,407	-119,156	-177,989	-374,310	-570,631
Funding gap (+)/additional income (-) for CDC	23,313	-9,532.40	-14,239	-29,945	-45,650,

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 recommend to Executive for consultation purposes a Council Tax Reduction Scheme for the 2017-2018 financial year.

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. In October 2014 a Supreme Court judgement ruled that consultation must be not only on the preferred option but also on all other potential options such as reducing council services and raising council tax.

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 -2017-2018 This would have financial implications for the Council and those residents affected by Welfare Reform.

7.0 Implications

Financial and Resource Implications

7.1 See table contained in this report.

Comments checked by:
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Legal Implications

7.2 The Council is required to approve a Council Tax Reduction Scheme on an annual basis. Failure to do so will affect the reputation of the Council and will have a financial implication for residents.

Comments checked by:
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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

This links to the Council's priorities of a district of opportunity and sound budgets and a customer focused council

Lead Councillor

Councillor Ken Atack Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
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