

Cherwell District Council
Budget Planning Committee

21 July 2020

Council Tax Reduction Scheme 2021-2022

Report of the Director of Finance

This report is public

Purpose of report

To provide members with an update on the Council Tax Reduction income banded scheme which was introduced from 1 April 2020 and to provide options for a Council Tax Reduction Scheme for 2021-2022.

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 should be considered for the Council Tax Scheme for 2021-2022.
- 1.3 If the option of no change to the current scheme is recommended to Executive, members of this Committee are also asked to recommend that no consultation takes place. However, if another option is recommended to Executive, full consultation is required.

2.0 Introduction

- 2.1 In December 2019 members approved a Council Tax Reduction Scheme (CTRS) for Cherwell District Council for the financial year 2020-21. A new income banded scheme was introduced from 1 April 2020 for those customers of working age.
- 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 an increase in the number of live cases from 6,457 in June 2019 to 6,573 in June 2020. This increase in caseload is due to the impact from the recent Covid-19 crisis which has seen a sharp increase in the number of new applications received for Council Tax Reduction.

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 Regulations and had the affect of reducing the tax base for the billing authority, major preceptors, 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 CTR 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 income of £108,539 for the 2021-2022 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 June 20 it is estimated that the income from this will be £387,492.

- 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 were no dwellings in this category.
- 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 2021- 2022 from charging an Empty Homes Premium is £180,813

Impact of Council Tax Reduction Scheme on collection rates

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. Collection rates for the first quarter of 2020-2021 are only slightly under target at 28.73% against a target of 29.5% which is a strong position considering that active recovery is still not taking place. 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.

Council Tax Reduction Scheme 2021-2022

- 3.8 Members will be aware that the national 10% reduction in government funding for Council Tax Reduction Schemes over the last seven 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 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 the banded scheme

- 3.9 Since the introduction of CTRS 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
- 3.10 In December 2019 members agreed a move to a new income banded scheme for those of working age. The presentation at Appendix A 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.

3.11 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. Members 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. Although collection rates are slightly down on the same time last year this is attributable to the impacts from Covid-19 crisis rather than the new banded scheme.

3.12 CTRS expenditure has increased from around £7.1m in May 2019 to £7.5m in May 2020, again this is due to the increase in caseload from 6,457 to 6,573.

Options for 2021-2022

Option 1 – Retain the current banded scheme 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.

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.

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%

Cost of scheme	Option 1	Option 2a	Option 2b	Option 3
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
Total	£7,577,495.55	£7,561,248.05	£7,544,052.64	£7,594,217.84
Income from second homes	£108,539	£108,539	£108,539	£108,539
Income from empty homes with 25% discount for 6 months	£387,492	£387,492	£387,492	£387,492
Uninhabitable homes with 25% discount for 12 months	0.00	0.00	0.00	0.00
Long term empty premium at 100% after 2 years	£180,813	£180,813	£180,813	£180,813

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 2021-2022.

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 change to the 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 2021-2022. This would have financial implications for the Council and those residents affected by Welfare Reform.

7.0 Implications

7.1 Financial and Resource Implications

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:

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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.

Comments checked by:

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8.0 Decision Information

Key Decision - N/A

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	<i>Presentation on modelling for a banded scheme</i>
Appendix B	<i>Examples of modelling impacts</i>
Background Papers	
None	
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