

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	4 September 2019
Subject:	Review of Council Tax Reduction Scheme and Council Tax Discounts
Report of:	Head of Corporate Services
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Two

Executive Summary:

Since April 2013 Councils have been responsible for adopting their own Council Tax Reduction Scheme to help working age people on low incomes pay their Council Tax. The Council is required to undertake public consultation on any proposed changes to its scheme. Tewkesbury Borough Council's scheme has remained unchanged since 2013 and approval is sought to consult on proposals for a revised scheme for 2020/21.

The local Council Tax Reduction Scheme is for working age people only. The national scheme for pension age customers is set by government.

Recommendation:

That Executive Committee ENDORSES the proposed public consultation on a Council Tax Reduction Scheme for 2020/21 in Appendix 1 to be undertaken during the period 16 September 2019 to 25 October 2019.

Reasons for Recommendation:

Each year the Council is required to decide whether to make changes to the Council Tax Reduction Scheme for working age customers. Funding from central government to support the local working age scheme has continued to reduce in line with other funding cuts and is expected to continue to reduce over the coming years.

Most of Tewkesbury Borough became a Universal Credit full service area by February 2018. As the number of customers receiving Universal Credit increases the administrative burden of calculating Council Tax reduction becomes greater. Universal Credit is reassessed on a monthly basis and any changes in income also results in the reassessment of Council Tax reduction. A revised Council Tax bill is issued changing the monthly instalments issuing revised Council Tax bills on a monthly basis is costly and makes it difficult to progress recovery action if payment is not made as well as making it difficult for customers to manage their finances.

Approval is sought to consult on proposals for a revised Council Tax Reduction Scheme for 2020/21.

Resource Implications:

Council Tax Reduction is a discount and not a benefit. As a result, the Council Tax base is reduced. A lower Council Tax base reduces the yield from Council Tax for the Borough Council, Gloucestershire County Council, the Office of the Police and Crime Commissioner for Gloucestershire and Town and Parish Councils. To offset this impact the government paid a grant to all local authorities which was 10% less than the funding for the previous Council Tax benefit scheme. This funding was incorporated into Revenue Support Grant since 2014/15 and has been subject to further cuts. The Council now receives minimal Revenue Support Grant and must fund its share of the cost of the scheme. Moving to a scheme as proposed in the consultation will reduce the cost of the scheme based on current caseload. It will also reduce the administrative burden which continues to increase due to Universal Credit.

Legal Implications:

The Welfare Reform Act 2012 abolished Council Tax benefit and instead required each Council to design a local Council Tax Reduction Scheme.

Section 13A of the Local Government Finance Act 1992 states that for each financial year Councils must consider whether to revise their Council Tax Reduction Scheme or replace it with another scheme. The prescribed regulations set out the matter which must be included in such a scheme. Before making any changes, under Section 40 of the Act must consult with major precepting authorities and consult other parties likely to have an interest in the scheme.

The deadline for agreeing a scheme is 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect (under paragraph 5, Schedule 1A of the Act). If the Council does not make/revise a Council Tax Reduction Scheme by 11 March 2020, a default scheme will be imposed on the Council which will be effective from 1 April 2020.

Risk Management Implications:

If there is a delay in consulting on a proposed scheme it may result in a revised scheme not being approved for 2020/21.

Performance Management Follow-up:

The impact of any new scheme will be closely monitored and updated through Lead Member briefings.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 In January 2019 Council approved a Council Tax Reduction Scheme for the 2019/20 financial year. The scheme adopted continues to remain unchanged from the default scheme which was first introduced in 2013/14 when the legislation changed.

2.0 BACKGROUND

2.1 Since 2013 the Council has been required to agree a Council Tax Reduction Scheme to help working age people on a low income to pay their Council Tax. This scheme replaced the national Council Tax Benefit scheme.

2.2 The Council is also required to administer the government scheme for pension age customers and is not able to make any changes to this scheme.

- 2.3** Funding for Council Tax support was cut by 10% in 2013/14 compared to funding for the previous Council Tax Benefit scheme. The contribution from government towards the scheme is no longer separately identified so the design of the local Council Tax Reduction Scheme will dictate how much funding is allocated. Most Councils have changed their scheme to reduce the cost and generate savings as required by government.
- 2.4** The Council Tax Reduction Scheme in Tewkesbury Borough has continued to mirror the previous Council Tax Benefit scheme which has ensured the most vulnerable customers have not been affected. The Council has absorbed the shortfall in funding assisted by using local powers to reduce the discount on empty properties and by levying the empty homes premium.
- 2.5** Council Tax Reduction is currently provided to 4,370 households in Tewkesbury Borough at an annual cost of £4.2m. This includes working and pension age claimants. At present there are 2,447 working age claimants and the cost for these is £2.3m. The cost of the Council Tax Reduction Scheme is met by Tewkesbury Borough Council and the major precepting authorities in proportion to their share of the Council Tax.
- 2.6** Each year the Council must decide whether to make changes to its Council Tax Reduction Scheme for working age customers. Funding received from central government to support the working age scheme has continued to reduce in line with other funding reductions and this is expected to continue in the coming years. Based on the most recent data, Tewkesbury Borough Council is one of less than 30 Councils whose Council Tax Reduction Scheme has so far not been amended to reflect reduced funding or increase the contribution people receiving help must make towards their Council Tax bills.
- 2.7** An additional driver for reviewing the scheme is the impact of Universal Credit. Tewkesbury Borough started to become a full service Universal Credit area in December 2017 with the last Parishes covered by Evesham JobcentrePlus going live in the spring of 2018. As the number of customers who receive Universal Credit increases the administrative burden of calculating Council Tax Reduction becomes greater.
- 2.8** Universal Credit is reassessed on a monthly basis and any changes in income under Universal Credit means that a different level of income needs to be considered when assessing entitlement to Council Tax reduction. A change in the level of Council Tax reduction, however small, means a revised Council Tax bill needs to be issued changing the amount of Council Tax required to be paid. Issuing revised Council Tax bills on a monthly basis is costly and makes it difficult to progress recovery action where payment is not being made. It also makes it difficult for customers to manage their finances where their monthly Council Tax payments keep changing.
- 2.9** Possible options for a new Council Tax Reduction Scheme for 2020/21 were presented to Transform Working Group on 25 July 2019. The preferred options to be investigated further were keep the scheme as is, look at a scheme where all working age claimants pay a percentage of their Council Tax and consider an income banded scheme.
- 2.10** Approval is now sought to consult on proposals for a revised scheme for 2020/21 based on the three options listed above.

Council Tax Discounts

- 2.11** Members may also recall that the Local Government Finance Act 2012 abolished certain exemptions from 1 April 2013 and replaced them with discounts which can be determined locally. These have remained the same since the 2013/14 financial year. Council tax discounts will be reviewed in conjunction with proposals for a revised Council Tax Reduction Scheme in order to determine the most effective use of local discretions.
- 2.12** Council determined that furnished chargeable dwellings which 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 £42,263.61 for the 2020/21 financial year.
- 2.13** Council also determined that the discount in respect of unoccupied and substantially unfurnished properties should be 100% for one month then 25% for a further 5 months. The cost of awarding this discount is currently £166,530.48 per annum.
- 2.14** 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 12 months. The cost of awarding this discount is currently £6,396.01 per annum.
- 2.15** Work is ongoing to model different discount options and proposals will be brought to Executive Committee for consideration alongside proposals for the Council Tax Reduction Scheme.

Empty Homes Premium

- 2.16** Prior to 1 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 billing authorities were given new powers to charge a premium of up to 50% of the Council Tax payable. New legislation was introduced which allows for a 100% empty homes premium to be levied from 1 April 2019. This was agreed by Members in February 2019 and the additional income from this premium currently stands at £131,000 per annum.
- 2.17** Further, The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increased the amount of premium which can be levied on dwellings which have been empty for more than 5 years to 200% from 1 April 2020. For those properties which have been empty for less than 5 years the premium will remain at 100%.
- 2.18** Proposals will be brought to a future meeting of Executive Committee for consideration as part of a package of measures in relation to the Council Tax Reduction Scheme and Council Tax discounts.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** Due to the way Universal Credit operates the Council needs to consider making some changes to the current Council Tax Reduction Scheme to simplify administration and reduce the volume and frequency of changes to Council Tax bills whilst continuing to protect the most vulnerable residents.

4.0 CONSULTATION

- 4.1** In order to change its Council Tax Reduction Scheme, the Council is required by law to consult with major precepting authorities and anyone else it considers likely to have an interest in the operation of the scheme. The proposed consultation will ask a number of questions to seek views on a new scheme based on income bands, whether we should ask all working age claimants to pay something or if we should remain on the default scheme.
- 4.2** A banded income scheme would mean that the level of Council Tax reduction awarded would only need to change if income goes above or below the band threshold. This would reduce the number of revised Council Tax bills we need to issue. Making the type of changes proposed in the consultation would simplify administration and deliver a reduction in the overall cost of the Council Tax Reduction Scheme. The level of savings will depend on the type of changes adopted following the consultation.
- 4.3** The proposed consultation will be available on the Council's website for a six week period from 16 September 2019 to 25 October 2019 and a paper copy will be made available to anyone who requires one. Visitors to reception will be made aware of the consultation and a flyer will be issued with correspondence to Council Tax and Council Tax reduction customers. The Revenues and Benefits team will contact the major precepting authorities, partner organisations and stakeholders to make them aware of the consultation. We will also make customers aware of the consultation with a link on emails sent to Council Tax and benefits customers.
- 4.4** Once the results of the consultation have been analysed, a report will be brought to Executive Committee with recommendations on a revised scheme for 2020/21 for consideration in conjunction with changes to Council Tax discounts. Some initial financial modelling has been undertaken on the impact of any changes to the Council Tax Reduction Scheme and Council Tax discounts. Detailed financial information will be brought back to the Executive Committee once the results from consultation have been analysed.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** The Local Council Tax Reduction Scheme.

6.0 RELEVANT GOVERNMENT POLICIES

- 6.1** The Council is required to adopt a Council Tax Reduction Scheme for working age claimants on an annual basis.

7.0 RESOURCE IMPLICATIONS (Human/Property)

- 7.1** None directly associated with this report other than officer time.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 8.1** None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

- 9.1** To support the preferred option, an equalities impact assessment will be produced.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

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Appendices:

1. Council Tax Reduction Scheme Consultation 2020-21.
2. Council Tax Reduction Scheme 2020/21 – Consultation Questions.