

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive
Date of Meeting:	8 January 2020
Subject:	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:	One

Executive Summary:

There is a requirement to have a Council Tax Reduction Scheme to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 1992 requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of Council Tax payable by persons, or classes or person, whom the authority considers are in financial need ("a Council Tax Reduction Scheme").

The report also provides Members with an update on the annual review of Council Tax discounts and to seek approval for their adoption effective from 1 April 2020.

Recommendation:

To RECOMMEND TO THE COUNCIL:

- 1. The adoption of the default Council Tax Reduction Scheme effective from 1 April 2020 with a minor revision to the national working age regulations to allow for a de minimis tolerance for income changes.**
- 2. That delegated authority is given to the Head of Finance and Asset Management, in consultation with the Lead Member for Finance and Asset Management, to agree the uprating of the working age regulations incorporated into the local Council Tax Reduction Scheme in line with those announced by Department for Work and Pensions.**
- 3. The adoption of the following Council Tax discounts effective from 1 April 2020:**
 - The discount for unoccupied and substantially unfurnished properties is 25% for a maximum period of six months.**
 - The discount for properties which are vacant and require major repair work to render them habitable is 25% for a maximum period of 12 months.**
 - The discount for unoccupied furnished properties (second homes) is zero.**
 - An empty homes premium of an additional 100% is levied on properties that have remained unoccupied and substantially unfurnished for more than two years.**
 - An empty homes premium of an additional 200% is levied on properties that have remained unoccupied and substantially unfurnished for more than five years.**

Reasons for Recommendation:

The report recommends that the Council continues with the default Council Tax Reduction Scheme that was first adopted in April 2013. To reduce costs to the Council, changes would have to be made to the level of support provide to working age claimants. Most authorities have already incorporated a reduced level of support into their local scheme however it is not considered appropriate to do so at the present time having considered the results of the public consultation.

In order to reduce the administrative complexity of the default scheme it is recommended that income changes of £10 or less per week do not require the reassessment of Council Tax Reduction. This will also make it easier for claimants to manage their finances.

It is best practice to review Council Tax discounts annually to ensure they reflect any changes in legislation and best meet the financial needs of the Council.

Resource Implications:

For the past seven years the Borough Council has absorbed the cost of the 10% initial reduction of funding imposed by the government following the introduction of the local Council Tax Reduction Scheme and the subsequent reduction to needs based funding of 55%. The total cost of this reduced funding over the period is now estimated to be circa £200,000 per annum for the Borough Council. This significant cut to funding has resulted in most Councils making changes to their local scheme in order to balance their budgets.

Tewkesbury has made significant savings in a range of areas over the last seven years as well as increasing income and Council Tax. However, it still finds itself facing a shortfall in funding of at least £3million over the next five years which is a position that could increase dramatically if the government withdraws its support for the New Homes Bonus scheme as expected. It is therefore right that the Council examines all options for the making of necessary savings in order to close the budgetary gap.

Legal Implications:

The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each billing authority to design a scheme specifying the reductions which are to apply to amounts of Council Tax. The prescribed regulations set out the matters that must be included in such a scheme.

All authorities in England are required to have a scheme identifying the reductions payable by their constituents who are in financial need under Section 13A of the Local Government Finance Act 1992 (updated in 2012). Schedule 1A paragraph 5 of the Act states that for each financial year, Councils must consider whether to revise their scheme or replace it with another scheme and that such decisions need to be made by 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make/revise its scheme by 11 March 2020, a default scheme will be imposed on the Council which will be effective from April 2020.

The Local Government Finance Act 2012 amended the Local Government Finance Act 1992. Section 13A of the Local Government Finance Act 1992 (as amended) requires each billing authority to make a scheme specifying the reductions which are to apply to the amount of Council Tax payable.

Section 11B of the Local Government Finance Act 1992 (as amended) allows the Council to charge a Council Tax premium. Section 67(2) of that Act provides that the power to decide to charge a premium can only be exercised by the Council. Further, The Rating (Property in Common Occupation) and Council Tax Empty Dwellings Act 2018 allows billing authorities, from 1 April 2020, to apply a premium of an additional 200 per cent of the Council Tax due where a dwelling has been empty for five years and over.

Risk Management Implications:

To reduce the cost to the Council, changes would have to be made to the level of support made to working age claimants. Most local authorities have already incorporated a reduced level of support into their local schemes and they should be reviewed on an annual basis. There is a risk that the cost of maintaining the current local scheme will increase if the number of claimants rises due to the state of the local and national economy.

Changes to Council Tax discounts may mean it becomes difficult to collect the increased Council Tax due, but all available remedies will be used to mitigate this risk.

Performance Management Follow-up:

The impact of the Council Tax Reduction Scheme and its costs 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 (CTRS) for the 2019/20 financial year. The scheme has remained the same since 2013/14 and it was agreed that the scheme would be reviewed for the 2020/21 financial year due to the impact of the rollout of full-service Universal Credit in the Borough.

2.0 BACKGROUND - COUNCIL TAX REDUCTION SCHEME

- 2.1** Since April 2013 the Council has been required to establish a Local Council Tax Reduction Scheme to help working age people on a low income to pay their Council Tax. This scheme replaced the national scheme for Council Tax Benefit which was fully funded by central government. Tewkesbury Borough Council has remained on the default scheme since it was first introduced.
- 2.2** The Council is also required to administer the prescribed government Council Tax Reduction Scheme for pension age customers and is not able to make any changes to this scheme.
- 2.3** Approval was given by Executive Committee at its meeting of 4 September 2019 to consult on three options for a Council Tax Reduction Scheme for 2020/21 as follows:
- (a) an income banded scheme, or
 - (b) a scheme where all working age claimants pay a percentage of Council Tax, or
 - (c) remain on the default scheme.

- 2.4** As part of the move towards replacing Council Tax Benefit, the government cut funding for Council Tax support by 10% in 2013/14. As a result of this, and the Borough Council's decision to remain on the default scheme, a cost of approximately £30,000 was incurred by the Borough Council and a further £387,000 shared between the County Council and the Police. Following the changes made, national funding of the scheme was absorbed into the core, needs based funding allocated by government and is no longer separately identifiable. Needs based funding from the government for Tewkesbury has been reduced from over £4million at the time of change to £1.85million in the current year; a reduction of £2.2m or 55%. The reduced funding on offer from the government has resulted in most Councils changing their scheme to reduce costs in line with at least the 10% reduction in funding.
- 2.5** National data shows that from April 2018, 36 out of 326 Councils are continuing to provide the same level of support available under the former Council Tax Benefit system. The most common change has been the introduction of a minimum payment scheme which requires everyone to pay at least some Council Tax regardless of income. From April 2018, 264 schemes include a minimum payment which was the same as in April 2017, but up from 229 in April 2013. This is the most recent national data available.
- 2.6** The legislation requires the Council to review its Council Tax Reduction Scheme on an annual basis. If there are amendments to be made to the scheme these must be done by 11 March 2020. Having considered the outcome of the consultation it is proposed that the Council continues with the default Council Tax Reduction Scheme, which was first adopted in April 2013, with some minor changes to reduce the administrative burden of income changes due to Universal Credit.
- 2.7** It is proposed that eligibility under the new local scheme mirrors the national regulations for working age claimants. The impact of Universal Credit has been monitored and it is recommended that a tolerance level of income changes of £10 or less per week is introduced. This will reduce the administrative burden on the team who are currently required to reassess Council Tax Reduction every time there is a change in income. It will also make it easier for claimants to manage their finances as they will not receive a new Council Tax bill every time there is a change in their income.
- 2.8** Council Tax Reduction is currently provided to 4,367 households in Tewkesbury Borough at an annual cost of £4.2million. This includes working and pension age claimants. At present there are 2,451 working age claimants and the cost for these is approximately £2.5million. 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.

COUNCIL TAX DISCOUNTS

- 2.9** The Local Government Finance Act 2012 abolished certain Council Tax discounts with effect 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 other than the introduction of an Empty Homes Premium. Options for Council Tax discounts have been reviewed in conjunction with proposals for a revised Council Tax Reduction Scheme in order to determine the most effective use of local discretions.
- 2.10** Council determined that furnished chargeable dwellings which are not someone's sole or main residence (i.e. second homes) should no longer receive a discount. They had, prior to April 2013, 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 £42,000 of which the Council would retain approximately £3,360.

- 2.11** Council also determined that the discount in respect of unoccupied and substantially unfurnished properties should be 100% for one month followed by 25% for five months. The initial discount of 100% causes a lot of landlord and tenant disputes and it is therefore recommended that the discount is changed to 25% for six months. As well as freeing up officer time to deal with other added value tasks, such as recovery of Council Tax arrears, this would also result in overall additional income from Council Tax of £52,000 of which the Council would retain approximately £4,160.
- 2.12** 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. This discount costs approximately £7,000 overall in lost Council Tax.
- 2.13** Prior to 1 April 2013 billing authorities could charge up to a maximum 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 £127,000 and is levied on 76 properties. The Council's share of this income is £10,160.
- 2.14** An additional power has been granted to allow the increase of the levy charge to 200% for properties which have been unoccupied and unfurnished for a period of over five years. If this option was adopted it would result in additional income from Council Tax of approximately £50,000 with the Council retaining £4,000. More widely, however, it would support the Council's strategy to bring empty properties back into use.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** To not agree a Council Tax Reduction Scheme for 2020/21. This would have financial implications for the Council and those residents affected by wider welfare reform.

4.0 CONSULTATION

- 4.1** Public consultation on options for the Council Tax Reduction Scheme for 2020/21 was undertaken during the period 16 September 2019 to 25 October 2019. The results of the consultation are attached at Appendix 1.
- 4.2** We had 108 responses to the public consultation with the majority from those residents not currently in receipt of council tax reduction. The preference for the three proposed options was an income banded scheme with 65% of respondents in favour, however the low overall response rate means it is recommended that we remain on the default scheme for 2020/21.
- 4.3** Consultation has also taken place with Gloucestershire County Council and the Office of the Police and Crime Commissioner for Gloucestershire although at the time of writing no comments have been received.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** The Local Council Tax Reduction Scheme.
- 5.2** Housing Strategy Action Plan 2017-2021 regarding bringing empty properties back into use.

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.

6.2 Legislation was drafted with an express intention to use Empty Homes Premium as a tool to support bringing empty properties back into use.

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.

Contact Officer: Revenues and Benefits Manager Tel: 01684 272119
Email: geni.hotchkiss@tewkesbury.gov.uk

Appendices: 1. Consultation Responses.