

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	26 August 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:	None

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 seeks approval for their adoption effective from 1 April 2021.

Recommendation:

To RECOMMEND TO COUNCIL:

- 1. That the default Council Tax Reduction Scheme be ADOPTED effective from 1 April 2021 with a minor revision to the national working age regulations to allow for a de minimis tolerance for income changes.**
- 2. That authority is delegated 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 the Department for Work and Pensions.**
- 3. That the following Council Tax discounts be ADOPTED effective from 1 April 2021:**
 - **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 at least two years, but less than five years.**
 - **An empty homes premium of an additional 200% is levied on properties that have remained unoccupied and substantially unfurnished for at least five years, but less than ten years.**
 - **An empty homes premium of an additional 300% is levied on properties that have remained unoccupied and substantially unfurnished for at least ten 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 provided 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 consideration to the continuing financial impact of the COVID-19 pandemic on the residents of the Borough.

There was a minor revision made to the Council Tax Reduction Scheme for 2020/21 in order to reduce the administrative complexity of the default scheme. This means income changes of £10 or less per week do not require the reassessment of Council Tax Reduction. This has proved successful in managing the workload of the Benefits Team and in giving claimants more certainty in managing 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:

The previous Council Tax Benefit scheme was fully funded by the government but with the move to Council Tax Reduction, an immediate 10% cut in funding was introduced. The remaining 90% funding was added to the Council's core needs based funding but this has subsequently been reduced by 55%. This means that out of the currently estimated proportion of the cost attributable to the Borough Council of £340,000, only £137,000 is now covered by central government with the balance of over £200,000 being a cost to the Borough Council. This cost is expected to increase as the number of working age claimant looks set to increase in the coming months. Whilst changes to the scheme may have reduced the theoretical cost to the Council, it is likely that the Council would experience increasing problems with Council Tax recovery given the national economic outlook and it is therefore unclear how much benefit would actually be derived at this time.

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 2021, a default scheme will be imposed on the Council which will be effective from April 2021.

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 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% of the Council Tax due where a dwelling has been empty for five years and over. A premium of an additional 300% can be applied where the dwelling has been empty for ten years and over from April 2021.

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, which 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. This is particularly relevant now due to the impact of the COVID-19 pandemic, which has seen the working age Council Tax reduction caseload rise significantly.

Changes to Council Tax discounts may mean it becomes difficult to collect the increased Council Tax due, but all available enforcement 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 2020, Council approved a Council Tax Reduction Scheme (CTRS) for the 2020/21 financial year. The Council has remained on the national default scheme since Council Tax Reduction was first introduced from 1 April 2013. Following public consultation on three options for a revised scheme, it was agreed that we would remain on the default scheme for working age claimants for 2020/21 with a minor revision of a tolerance for income changes. This was due to the impact of the rules regarding the reassessment of Universal Credit and its impact on Council Tax Reduction. It was also agreed that alternative options would again be reviewed to ensure any future scheme provides the right level of support for residents as well as its impact on the Council's wider financial position. Due to the current, and likely ongoing, impact of the COVID-19 pandemic the advice of officers is to remain on the default scheme for working age claimants for the 2021/22 financial year.

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 in April 2013.

- 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** Council Tax Reduction is currently provided to 4,803 households in Tewkesbury Borough at an annual cost of £4.7million. This includes working and pension age claimants. At present there are 2,935 working age claimants and the cost for these is currently £2.9million. 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.
- 2.4** Since March 2020 we have seen a significant increase in the working age Council Tax Reduction caseload due to the impact of the COVID-19 pandemic and this continues to rise with a further 503 Council Tax Reduction claims in payment at the time of writing.
- 2.5** 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 2021.
- 2.6** It is proposed that the Council Tax Reduction Scheme adopted for 2020/21, i.e the default national scheme with a tolerance level of income changes of £10 or less per week, is maintained for 2021/22. This will continue to reduce the level of administrative burden on the team who are required to reassess entitlement to Council Tax Reduction every time there is a change in a claimant's income. It will also make it easier for claimants to manage their finances as they will not need to receive a new Council Tax bill every time there is a change in their income.

Council Tax Discounts

- 2.7** 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 broadly the same since the 2013/14 financial year other than a change to the level of discount given to short term empty properties and the levying of an empty homes premium from 1 April 2019. Options for Council Tax discounts have been reviewed in conjunction with proposals for the Council Tax Reduction Scheme in order to determine the most effective use of local discretions.
- 2.8** 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 £45,000 of which the Council would retain approximately £3,592.
- 2.9** Council also determined that the discount in respect of unoccupied and substantially unfurnished properties should be 25% for six months. This was changed for 2020/21 (it has been a 100% discount for one month followed by a 25% discount for five months) to prevent landlord/tenant disputes regarding tenancy end dates. This change has proved successful and it is recommended the current level of discount is maintained for 2021/22. Reducing the level of discount results in additional Council Tax income of £152,000 of which the Council retains approximately £10,640.
- 2.10** 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.

- 2.11** 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 first agreed by Members in February 2019 and was again agreed for the 2020/21 financial year. The additional income from this premium currently stands at £119,000 and is levied on 98 properties. The Council's share of this income is approximately £8,500.
- 2.12** From 1 April 2020 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. Council adopted this option for the 2020/21 financial year and the premium is currently levied on 22 properties resulting in additional income of £61,000 with the Council retaining approximately £4,500.
- 2.13** From April 2021, a further power will be granted to increase the empty homes premium to 300% for properties that have been unoccupied and substantially unfurnished for more than 10 years. There are six properties that meet this criteria and the levying of the additional charge results in further income of £10,000 with our share being minimal. More widely, however, it would continue to 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 2021/22. This would have financial implications for the Council and those residents affected by wider welfare reform as well as the impact of the COVID-19 pandemic.

4.0 CONSULTATION

- 4.1** The legislation requires consultation prior to making a change to the Council Tax Reduction Scheme, but there is no such requirement where no change is being made. Accordingly, no public consultation has taken place regarding the proposed scheme for 2021/22 as the proposal is that it remains unchanged.

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.

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Appendices: None.