Purpose of report

To provide members with an update on the implications of the current Council Tax Reduction Scheme and the changes to discounts and to provide options to consider for a Council Tax Reduction Scheme for 2018-2019 and to seek approval to consult on the agreed option.

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 approve the Budget and Financial Strategy Committee recommendation to consult on Option 1 – no change to the current Council Tax Reduction Scheme (CTRS) or Council Tax discounts for 2018-2019 and to amend the Council Tax Reduction Regulations for changes announced in the Budget.

2.0 Introduction

2.1 In December 2016 members approved a Council Tax Reduction Scheme (CTRS) for South Northamptonshire Council for the financial year 2017-2018. The scheme remained the same as in 2016-2017 and included some changes to the previous Council Tax Benefit scheme in that the maximum Council Tax liability to be included in any assessment for working age customers is 91.5%. Pensioners have not seen any change to the support they receive.

2.2 This means that working age customers will have to pay at least 8.5% of their Council Tax in full, but may get relief (or a reduction) on the remaining 91.5%. The relief on the remaining 91.5% is means tested.

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 South Northamptonshire of £371,837

2.4 The funding shortfall is mostly offset by the change in the level of support for working
age customers and changes to Council Tax discounts.

3.0 Report Details

Position so far

Council Tax Reduction Scheme

3.1 Following approval of our Council Tax Reduction Scheme for 2017-2018 we continue to offer advice and support to those affected (approximately 1,398 households). An Exceptional Hardship fund is also in place to help those people affected by Welfare Reform and who are struggling to pay their Council Tax.

3.2 It was anticipated that, for 2017-2018, the reduced level of support for working age customers would offer a reduction in expenditure of £126,713.

3.3 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 3,293 in July 2016 to 3,175 in July 2017.

Impact on Parish Councils

3.4 Members may recall that the regulations for calculating the Council Tax Base were amended to reflect the Council Tax Reduction Scheme and had the effect of reducing the tax base for the billing authority, major preceptors and the Police and Crime Commissioner for Northamptonshire 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 sixth year of a Council Tax Reduction Scheme parish councils should now have a clear understanding of the impact of CTRS on their parish tax base.

Impact of the changes to discounts and exemptions

3.5 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.

3.6 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 £30,493 for the 2018-2019 financial year.

3.7 Council also determined that the discount in respect of unoccupied and substantially unfurnished properties should be reduced to 50% for a period of three months and thereafter to zero. As at July 2017 it is estimated that the additional income from this will be £108,252 compared to £82,749 in July 2016.
3.8 Council further exercised its discretion to determine that chargeable dwellings which are vacant and undergoing major repair work to render them habitable should not be given any discount. As there is no longer any financial incentive to apply for this discount there are currently no properties receiving this discount. An analysis has been undertaken, however, on empty properties which would meet the criteria and this will result in additional income of £2,521 due the discount being set at zero.

3.9 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 local authorities were given the powers to charge a premium of up to 50% of the council tax payable. The projected income for 2018-2019 from charging an Empty Homes Premium is £60,342.

**Impact of Council Tax Reduction Scheme on collection rates**

A council tax collection rate of 99.1% was again achieved for 2016-2017. Collection rates for the first two months of the 2017-2018 are on target. In considering the Council Tax Reduction Scheme for 2018-2019 members should be mindful that the impact on ability to pay may have been marginal due to the fact the average council tax payment from a working age claimant is approximately £10.00 per month. This could be proportionally more significant and harder to collect if the Council Tax Reduction Scheme was revised to 20% of liability particularly in light of the further Welfare Reforms due in 2017-2018.

**Universal Credit**

Universal Credit Full Digital Service will go live in Northampton in July 2018 and Milton Keynes in September 2018 therefore impacting on residents in the South Northamptonshire area. Minor amendments may be considered to the Council Tax Reduction Scheme Regulations to reflect the calculation of Council Tax Reduction for residents in receipt of Universal Credit.

**The picture across Northamptonshire**

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Scheme for 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daventry District</td>
<td>80% maximum (at least 20% to be paid by working age)</td>
</tr>
<tr>
<td>Wellingborough</td>
<td>80% maximum (at least 20% to be paid by working age)</td>
</tr>
<tr>
<td>East Northants</td>
<td>80% maximum (at least 20% to be paid by working age)</td>
</tr>
<tr>
<td>Kettering Borough</td>
<td>55% maximum (at least 45% to be paid by working age)</td>
</tr>
<tr>
<td>Northampton Borough</td>
<td>65% maximum (at least 35% to be paid by working age)</td>
</tr>
<tr>
<td>Corby</td>
<td>91.5% maximum (at least 8.5% to be paid by working age)</td>
</tr>
</tbody>
</table>

**Council Tax Reduction Scheme 2017-2018**

3.11 Members will be aware that the national 10% reduction in government funding for Council Tax Reduction Schemes over the last five years has been offset in part by the change in the level of support for working age customers and by the additional income generated by changes to discounts and exemptions.
The Government has not yet released indicative figures for 2018-2019. For the purposes of calculating the new Council Tax Reduction scheme for 2018-2019 an assumption has been made that funding will reduce again by 10%.

3.12 Financial modelling on the options for a new scheme for 2018-2019 has been undertaken as shown below. At their meeting of 18th July 2017 Budget and Financial Strategy Committee considered a report on the options for a scheme for 2018-2019 and members of the committee recommended that Option 1 (no change to the current scheme) be considered by Cabinet as the option for consultation.

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 based on reduced support for working age people who would be required to pay at least 8.5% of their Council Tax liability and not change current Council Tax discounts. The only change required would be the minor changes to the Regulations.

Option 2 – Revised Council Tax Reduction scheme with current Council Tax Discounts

This option could include further reducing support for working age people. Percentages of 80%, 85% and 90% have been modelled.

Option 3 – Combination of the options shown above

Financial Summary of options

<table>
<thead>
<tr>
<th></th>
<th>91.5%</th>
<th>90%</th>
<th>85%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£000</td>
</tr>
<tr>
<td>Overall funding loss</td>
<td>371,837</td>
<td>371,837</td>
<td>371,837</td>
<td>371,837</td>
</tr>
<tr>
<td>Major repair income</td>
<td>-2,521</td>
<td>-2,521</td>
<td>-2,521</td>
<td>-2,521</td>
</tr>
<tr>
<td>Long term empty premium</td>
<td>-60,342</td>
<td>-60,342</td>
<td>-60,342</td>
<td>-60,342</td>
</tr>
<tr>
<td>Reduction in expenditure based on % liability</td>
<td>-109,799</td>
<td>-129,176</td>
<td>-193,763</td>
<td>-258,351</td>
</tr>
<tr>
<td>Total funding gap/additional income</td>
<td>60,430</td>
<td>41,053</td>
<td>-23,534</td>
<td>-88,122</td>
</tr>
<tr>
<td>Funding gap/additional income for SNC</td>
<td>6,647</td>
<td>4,516</td>
<td>-2,589</td>
<td>-9,693</td>
</tr>
</tbody>
</table>
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 agree for consultation purposes, a Council Tax Reduction Scheme for the 2018-2019 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 judgment 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 2018-2019. This would have financial implications for the Council and those residents affected by Welfare Reform.

7.0 Implications

7.1 Financial and Resource Implications

See table contained in this report.

Comments checked by:
Paul Sutton Chief Finance Officer, Paul.sutton@cherwellandsouthnorthants.gov.uk

7.2 Legal Implications

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

Comments checked by:
Matt Marsh, Solicitor, matt.marsh@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision

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 protecting our quality of life

Lead Councillor

Councillor Peter Rawlinson, Portfolio Holder for Finance and Procurement

Document Information

<table>
<thead>
<tr>
<th>Appendix No</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

| Background Papers | None |

| Report Author       | Belinda Green (Joint Revenues and Benefits Manager) |
| Contact Information | Belinda Green: 01327 322182  
|                     | Belinda.green@cherwellandsouthnorthants.gov.uk |