Purpose of report

To provide members of the Budget and Financial Strategy Committee with an update on the implications of the current Council Tax Reduction Scheme and Council Tax discounts, including the impact on collection rates, and to provide members with options to consider for a Council Tax Reduction Scheme for 2020-21.

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 Cabinet which option(s) should be considered for the Council Tax Reduction Scheme for 2020-2021.

1.3. To recommend to Cabinet that if the option of no change to the current scheme is taken that no consultation takes place. If, however, the preferred option is a change to the current scheme that full consultation must be undertaken.

2.0 Introduction

2.1 In December 2018 members approved a Council Tax Reduction Scheme (CTRS) for South Northamptonshire Council for the financial year 2019-2020. The scheme remained the same as in 2018-2019 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 2019-2020 we continue to offer advice and support to those of working age affected by the scheme (approximately 1,304 households). An Exceptional Hardship fund of £5,000 for 2019-2020 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 2019-2020, the reduced level of support for working age customers would offer a reduction in expenditure of £129,964.

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 3,014 in June 2018 to 2,930 in June 2019.

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 affect 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 eighth 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 £39,094 for the 2020-2021 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 2019 it is estimated that the additional income from this will be £146,104.

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 at June 2019 it is estimated that the additional income from this will be £1,619.

3.9 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 2020-2021 from this additional premium is £184,052

Impact of Council Tax Reduction Scheme on collection rates

A Council Tax collection rate of 98.5% was achieved for 2018-2019. Our Collection rates for the first two months of the 2019-2020 are on target. In considering the Council Tax Reduction Scheme for 2020-2021 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 paying 8.5% is £10.02 per month for a Band B property. This could be proportionally more significant and harder to collect if the Council Tax Reduction Scheme was revised to a higher percentage of liability particularly in light of the impact of the introduction of the Universal Credit full service.

Council Tax Reduction Scheme 2020-2021

3.10 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 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 funding figures for 2020-2021. For the purposes of calculating the new Council Tax Reduction scheme for 2020-2021 an assumption has been made that funding will remain at the reduced rate

New landscape

3.11 On 14th May 2019 the Secretary of State for Housing, Communities and Local Government approved proposals which will see the introduction of two unitary councils in Northamptonshire. South Northants Council, Daventry District Council, Northampton Borough Council and (half) of Northants County Council will form a new unitary authority in the west of the county from April 2021.

3.12 Although the formation of the authorities is still subject to Parliamentary approval the Councils are discussing potential opportunities to develop integrated services and to align policies. It also presents the opportunity to begin to align Council Tax Reduction Schemes in readiness for 2021-2022 whilst continuing to protect our most vulnerable residents.

3.13 Daventry District Council currently has a means tested scheme which means that working age customers have to pay at least 20% of their Council Tax liability. Northampton Borough Council also has a means tested scheme with working age customers having to pay at least 35% of their liability.
3.14 Some early financial modelling has been carried out indicating that to ‘break-even’ the new unitary maybe looking at a scheme that requires working age customers to pay at least 28% of their Council Tax liability. This modelling is only an early indication.

3.15 Members may wish to consider a move from the current 8.5% scheme to a 15% scheme from 2020-2021. This would offer a ‘stepped’ approach to change for our residents. This change would offer South Northants Council additional income of around £24,500 given that the funding gap is mostly offset by the expected income from Council Tax discounts. The Exceptional Hardship fund would enable us to continue to support those residents who are struggling to pay their Council Tax. If this option is recommended members may also wish to consider a small increase in Exceptional Hardship funding for 2020-2021.

3.16 Financial modelling on the options for a new scheme for 2020-2021 has been undertaken as shown below:

**Options**

**Option 1 – No change to current local Council Tax Reduction scheme or Council Tax discounts and uprating the Council Tax Reduction Regulations in line with DWP annual uprating.**

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 Council Tax Reduction 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 90%, 85% 80% and 72% have been modelled.

**Option 3: Combination of the options shown above**

**Financial Summary of options**

<table>
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<tr>
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<th>91.5%</th>
<th>90%</th>
<th>85%</th>
<th>80%</th>
<th>72%</th>
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<tr>
<td><strong>Overall funding loss</strong></td>
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<td>371,837</td>
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<td>371,837</td>
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<tr>
<td><strong>Empty homes income with discount of 50% for 3 months</strong></td>
<td>-146,104</td>
<td>-146,104</td>
<td>-146,104</td>
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<td><strong>Major repair income</strong></td>
<td>-1,619</td>
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<td></td>
<td>-184,052</td>
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<tr>
<td>Long term empty premium at 100%</td>
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<tr>
<td>Reduction in expenditure based on % liability</td>
<td>-133,114</td>
<td>-153,865</td>
<td>-234,705</td>
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<td>Total funding gap/additional income</td>
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<td>-152,897</td>
<td>-233,737</td>
<td>-311,094</td>
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<td>Funding gap (+) / additional income (-) for SNC based on 10.5%</td>
<td>-13,875</td>
<td>-16,054</td>
<td>-24,542</td>
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**Impact of options on our residents**

The table at Appendix A of this report provides members with an indication of the financial impact of each of the options modelled on our residents

### 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 recommend to Cabinet a Council Tax Reduction Scheme for the 2020-2021 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 on any material changes to the scheme. This does not include changes for annual uprating in accordance with Government Regulations.

If members are minded to recommend to Cabinet a no change scheme there will be no need to consult on the scheme for 2020-2021 and the Regulations will be updated to include appropriate text to make it clear that the Council will apply the uprating.

### 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 2020-2021. This would have financial implications for the Council and those residents affected by Welfare Reform.

7.0 Implications

Financial and Resource Implications

7.1 See table contained in this report.

Comments checked by:
Denise Taylor, Deputy Head of Finance and Procurement, 01327 322290
Denise.taylor@southnorthants.gov.uk

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:
Christopher Mace, Solicitor, 01327 322125
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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, Performance and Governance
### Document Information

<table>
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**Background Papers**

None

**Report Author**

Belinda Green (Operations Director, CSN Resources)

**Contact Information**

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