

Item

## **COUNCIL TAX REDUCTION SCHEME and EMPTY HOMES PREMIUM 2019-2020**



**To:**

Councillor Richard Robertson, Executive Councillor for Finance and Resources

Strategy & Resources Scrutiny Committee 11/02/2019

**Report by:**

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**Wards affected:**

All

### **Key Decision**

#### **1. Executive Summary**

##### **Council Tax Reduction Scheme**

- 1.1 From April 2013, local authorities across England were given the power to devise their own systems of Council Tax Support for working-age adults. It replaced the national system of the Council Tax Benefit which ensured that people on low incomes received help to pay Council Tax.
- 1.2 The current local scheme meets the Council's commitment to protect as many people as possible from any decrease in the level of Council Tax Reduction support.
- 1.3 The purpose of this report is to undertake the annual review of the Council Tax Reduction Scheme and to decide whether the Scheme should be revised, replaced or continued for the financial year 2019-2020.

## Empty Homes Premium

- 1.4 Since 2013 the Council has exercised its discretion and has charged a Council Tax premium of 50% when an unfurnished house has been empty for two years or more.
- 1.5 In March 2018 Government proposed legislation to allow Councils to increase the amounts payable in respect of long-term empty dwellings.
- 1.6 Legislation was enacted on 1<sup>st</sup> November 2018 to allow the Council to increase the premium to 100% with effect from 1<sup>st</sup> April 2019 to provide an incentive to bring long term empty homes back into use.

In addition, the legislation also allows the Council to further increase the premium on properties that have stood empty for more than 5 years to 200% with effect from 1<sup>st</sup> April 2020 and a further increase to 300% for properties empty for 10 years or more from 1<sup>st</sup> April 2021.

## **2. Recommendations**

The Executive Councillor is recommended to:

- 2.1 Agree to continue the current Council Tax Reduction Scheme framework with changes to applicable amounts and premiums as defined within the local scheme. The scheme supports low-paid workers already struggling to cope with stagnant wages, rising living costs and on-going Welfare Reforms that impact on Universal Credit, Tax Credits and other in-work support.
- 2.2 Agree that Care Leavers under 25 are included in the vulnerable groups classification within the local Council Tax Reduction Scheme.
- 2.3 Agree that following the delay in rolling out full service Universal Credit to October 2018, that the significant review of the current scheme be carried out during spring 2019 to reflect the rollout of Universal Credit.
- 2.4 Agree that Empty Property Premium increases are adopted in full from 1 April 2019 to 1 April 2021.

## **3. Background**

### Council Tax Reduction Scheme

- 3.1. Local Council Tax Reduction Schemes replaced the national Council Tax Benefit scheme for those of working age from April 2013.

- 3.2 The local scheme is for those of working-age only as there is no local discretion in respect of the provision for pensioners, which is set out in statute in the prescribed regulations.
- 3.3 The current local Council Tax Reduction Scheme broadly follows the Council Tax Benefit scheme that ceased on 31 March 2013 and continues to support the Council's commitment to support the most vulnerable in the city.
- 3.4 The current scheme supports all those that enter work and provides support to those who are in work.
- 3.5 As at December 2018, average weekly awards are £19.80 (average pensioner weekly awards £19.31 and working age awards £20.05 per week) and there is a continuing trend towards more working age households than pensioners. The split is projected to be 66/34. The average weekly support for employed households is £13.42.
- 3.6 The local scheme currently supports some 1879 working age households with a total of 3741 children in these households. 36 of these families are on Universal Credit as at December 2018.

#### Empty Homes Premium

- 3.7 Government has made it clear that they want to give Councils the flexibility to increase Council Tax and incentivise owners of long term empty homes to bring them back into use.
- 3.8 Currently 66 properties are subject to the empty home premium. Since the premium was introduced in 2013 the numbers have remained low and we have worked closely with the Empty Homes Officer to accurately identify long term empty properties so that action can be taken and incentives are offered to help bring those properties back into use.

## **4. Implications**

### **(a) Financial Implications**

- 4.1 Council Tax Reductions as at the end of December 2018 were £6,492,662.
- 4.2 In modelling for 2019/2020, figures have been based on expected incomes, benefit rates and caseload changes and an assumed increase in Council Tax. Based on this, it is expected that expenditure would be £6,532,725 for 2019/2020.
- 4.3 Identifiable funding for Council Tax Reduction Schemes was only explicitly stated in local authority baseline

funding levels in the new business rates retention system in 2013/14. Since then, government funding for Council Tax Reduction Schemes has not been a separately specified amount and it is now entirely for local authorities to decide how much they are prepared to spend on Council Tax support from general revenue funding, which includes retained business rates.

- 4.4 Whilst the power to set the scheme rests with billing authorities (Cambridge City Council), it is recognised that the financial impact is shared with precepting authorities (Cambridge City Council's precept is approximately 11%).
- 4.5 The legislation that brought in local Council Tax Reduction Schemes from April 2013 also allowed local authorities to change some of the Council Tax discounts and exemptions. The Council used these reforms to increase revenue to contribute to the overall funding of the local Council Tax Reduction Scheme and also promotes bringing empty homes back in to use more quickly.
- 4.6 Government have amended legislation to allow Council's the discretion to increase the amount charged on properties, empty for more than two years. A 100% premium would apply from April 2019 and from April 2020, for properties empty for more than 5 years, a premium of 200% could be applied and from April 2021, for properties empty for 10 years or more at that date, a premium of 300% could be applied.
- 4.7 Modelling work has been carried out with regard to the potential revenue generated by the increased premium and the Council Tax base has been increased to reflect the additional charge.

Based on an individual Band D property the additional amount charged from 1<sup>st</sup> April 2019 would be approximately £860 per year, with a best estimate that this could generate around £4k per year for Cambridge City (based on Cambridge City Council precept of 11%).

Additional revenue could also be generated from 2020 if the premium increases are applied in full however the number of properties that would attract the 200% or 300% premium are small, currently 12 and 5 properties respectively.

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## **(b) Staffing Implications**

4.8 None.

### **(c) Equality and Poverty Implications**

4.9 The current Council Tax Reduction Scheme supports the Council's aspiration to build a fairer Cambridge and help improve the standard of living for individuals and communities on a low income in the city by:

- Helping people on low incomes to maximise their income and minimise their costs
- Reducing the impact of poverty on children and helping low income families with the cost of raising a child
- Making the move into work easier

4.10 A full EqIA was carried out when the scheme was established and will be updated following acceptance of this report.

4.11 The scheme fully meets the Council's responsibilities to protect vulnerable groups including responsibilities under the Child Poverty Act 2010, the Disabled Persons' Act 1986, the Housing Act 1996, as well as the public sector equality duty in section 149 of the Equality Act 2010.

### **(d) Environmental Implications**

4.12 None.

### **(e) Procurement Implications**

4.13 None.

### **(f) Community Safety Implications**

4.14 None.

## **5. Consultation and communication considerations**

5.1 A consultation was carried out by the Council out in Autumn 2018 and more than 91% of respondents were in favour of adopting the proposals to increase premiums for empty properties.

5.2 The consultation also looked at proposals to protect Care Leavers (up to their 25<sup>th</sup> birthday) within the Council Tax Reduction scheme. The response was 91% in favour of including them in the vulnerable groups to protect them from possible reductions in the amount of Council Tax that support can be given for.

5.3 The consultation also looked at a proposal to limit changes in Council Tax Reduction where earnings fluctuate. Despite a majority being in favour of this, concerns have been raised on whether this will achieve the desired results and further work is being done for the 2020/2021 scheme.

## **6. Background papers**

6.1 No background papers were used in the preparation of this report.

## **7. Appendices**

7.1 None

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Naomi Armstrong, Benefits Manager, tel: 01223 457752, email: [naomi.armstrong@cambridge.gov.uk](mailto:naomi.armstrong@cambridge.gov.uk).