



**COUNCILLOR PHIL DAVIES**

**CABINET**

**26 NOVEMBER 2018**

**COUNCIL TAX 2019/20  
(TAXBASE, DISCOUNTS AND  
EXEMPTIONS AND COUNCIL TAX  
SUPPORT SCHEME)**

**Councillor Phil Davies, Leader said:**

“In the face of such prolonged austerity policies from Central Government, it is vital we maximise council tax collection, so we can continue to fund the services which residents rely on every day.

“However, it is equally important we remember our values and our commitment to social justice and protecting the most vulnerable. I am incredibly proud we have been able to exempt all care leavers from paying council tax until they reach the age of 25. These young people deserve every bit of support we can give and I hope this gesture helps them as they build their lives and careers.

“I am also delighted we have been able to give Wirral Women’s and Children’s Aid a 100% discount on their Council Tax. This organisation does fantastic work in our borough, and it is right we do everything we can to help them continue.”

**REPORT SUMMARY**

This report brings together related issues regarding the proposed Council Tax Base for 2019/20 upon which the annual billing and Council Tax levels will be set; the proposed Council Tax Discounts including Local Discounts, exemptions for 2019/20 and the Council Tax Support Scheme to be used during 2019/20. These need to be approved by Council by 31 January 2019.

**RECOMMENDATIONS**

It is recommended that Cabinet recommend to Council

- 1 The figure of 93,497.8 be approved the Council Tax Base for 2019/20.

- 2 The level and award of each local discount for 2019/20 be:-

**Wirral Women's & Children's Aid**

To continue to award Wirral Women & Children's Aid 100% discount

**Care Leaver's Discount**

To award Care Leaver's the requisite discount to reduce their Council Tax liability to zero until they are 25, from 1<sup>st</sup> April 2019. This remains unchanged from 2018/19.

**Empty Property Discounts**

Discount category D = 0% Full charge on properties undergoing renovations.

Discount category C = 0% Full charge on empty properties from date they become unoccupied.

Both remain unchanged

Empty Property Premium = 200%. Unfurnished properties empty for more than two years. This is a change from 150% in 2018/19 allowed by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

This change was reported in last year's report.

**Council Tax Discretionary Relief Scheme**

The Council Tax Discretionary Hardship Relief Scheme continues in its current format for 2019/20.

**Council Tax Support Scheme**

3. The Council Tax Support Scheme approved for use in 2018/19 is also approved as the Scheme for 2019/20 with additional amendments to incorporate the introduction of Full Service for Universal Credit, including backdating of reduction for up to 3 months.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1. The Council has to agree the Council Tax Base for 2019/20 by 31 January.
- 1.2. The Council has to decide on the level of Local Discounts by 31 January.
- 1.3. The Council has to determine annually the Local Council Tax Support Scheme for 2019/20.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1. In respect of the Council Tax Base this has to be set by 31 January each year and there are no other options.
- 2.2. The Local Discounts, Exemptions and the Council Tax Support Scheme are reviewed annually and could be amended which will have a financial impact for the authority as set out in this report.

### **3.0 BACKGROUND INFORMATION**

- 3.1. The Council has a statutory duty to take decisions each year with regard to the administration of Council Tax which must be agreed by Council by 31 January.

#### **COUNCIL TAX BASE 2019/20**

- 3.2. The Authority is required to annually determine its Council Tax Base in order to determine the appropriate levels for Wirral, the Preceptor Authorities (Police & Crime Commissioner and Fire & Rescue Services) and the Environment Agency (Flood Defence). The Council Tax Base has a direct impact on the Council Tax that will be levied for Wirral for 2019/20 and the level of Revenue Support Grant received from Central Government.
- 3.3. This decision could be a delegated function but is to be considered by Cabinet and Council for 2019/20. The Council Tax Base must be agreed by 31 January 2019 and will be used to calculate the Council Tax charges for 2019/20.
- 3.4. The Tax Base calculation process is as follows;
  - Calculate the number of properties at September 2018 and adjust for changes due to demolitions and new builds up to 31 March 2020 which are then converted to a full year Band D equivalent. Adjust for discounts, exemptions and disabled relief and add in any changes expected over the year reflecting the Local Council Tax Support Scheme and changes to empty property discounts.

- Convert the number of “discounted” dwellings in each Council Tax Band to Band D equivalent;
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year. The amended calculation is as below and will be utilised in calculating the Council Tax charge for 2019/20.

3.5 Forecast properties per Council Tax band within Wirral as at October 2018:-

**Table 1: Wirral Council Tax Bandings Forecast**

Band	Value (£)	Properties 2017	Change	Properties 2018	Band %	Ratio
A	<40,000	60,161	4	<b>60,165</b>	40.3	6/9
B	40,001-52,000	32,323	2	<b>32,325</b>	21.7	7/9
C	52,001-68,000	27,326	6	<b>27,332</b>	18.4	8/9
D	68,001-88,000	13,347	8	<b>13,355</b>	9	9/9
E	88,001-120,000	8,165	15	<b>8,180</b>	5.5	11/9
F	120,001-160,000	4,278	7	<b>4,285</b>	2.9	13/9
G	160,001-320,000	3,120	0	<b>3,120</b>	2.1	15/9
H	>320,000	262	2	<b>264</b>	0.1	18/9
Total		148,982	44	149,026	100.0	

3.6 The properties are converted to the Band D equivalent and adjusted for the Local Council Tax Support Scheme and other Council Tax Discount, Exemptions and Disabled Relief and adjusted by the Collection Rate to give the Council Tax Base.

**Table 2: Wirral Council Tax Band D calculation 2019/20**

Band	Properties 2018	Changes due to C Tax Support, discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	<b>60,165</b>	-24,608	35,557	6/9	23,704.7
B	<b>32,325</b>	-7,329	24,996	7/9	19,441.3
C	<b>27,332</b>	-4,055.6	23,276.4	8/9	20,690.1
D	<b>13,355</b>	-1,499.8	11,855.2	9/9	11,855.2
E	<b>8,180</b>	-719	7,461	11/9	9,119
F	<b>4,285</b>	-310.1	3,974.9	13/9	5,741.5
G	<b>3,120</b>	-65.5	3,054.5	15/9	5,090.8
H	<b>264</b>	-35.7	228.3	18/9	456.6
Band A Disabled (1/9 <sup>th</sup> of Band A)		76.5	76.5	5/9	42.5
Total	149,026	38,546.2	110,479.8		96,141.7
Collection Rate					x 97.25%
Adjusted Council Tax Base					93,497.8

- 3.7 The Collection Rate takes into consideration previous experience and current collection rates. An exercise has taken place analysing previous year's collection rates and it would now be prudent to increase the collection rate to 97.25%. This has been reflected in the setting of the Council Tax Base.
- 3.8 The Collection Rate is the rate that best reflects collection over more than just the current year and will therefore take longer than the financial year to achieve. All previous year collections have ultimately met or exceeded projections and this rate should be achieved for 2019/20.
- 3.9 The recommended figure for 2019/20 is 93,497.8. Compared to the 2018/19 figure of 92,255.9 this is an increase of 1,241.9.
- 3.10 The level of Council Tax is confirmed at Budget Council which for 2019/20 is scheduled for 4 March 2019.

### **COUNCIL TAX LOCAL DISCOUNTS & EXEMPTIONS 2019/20**

- 3.11 Local Discounts and Exemptions are subject to an annual review and impact directly upon the Council Tax income being fully met by the Council. From 1 April 2013 the Council adopted 0% discount levels for empty properties and properties undergoing construction, where previously they had been exempt for 6 and 12 months respectively thus receiving a 100% discount. This report reviews these reduced discounts and increased charges and also the current levels of specific local discounts. Any amendment or granting of discount agreed as part of this report will come into force from 1 April 2019.
- 3.12. Local Discounts can be granted under Section 13a of the Local Government Act 1992. The Local Government Finance Act 2012 introduced changes in national Council Tax discounts and exemptions. These were considered and adopted for 2013/14 by Cabinet on 24 January 2013 and cover the level of discount awarded on empty properties and the premium charged on long term empties. Wirral chose to maximise the amount payable in each category and must review its charges each year.

### **A LOCAL DISCOUNTS - LOCAL GOVERNMENT ACT 1992**

- 3.13 Local Discounts, as used by Wirral, are granted under Section 13a of the Local Government Act 1992 and reviewed annually.

**Table 3: Local Government Act 1992 Local Discounts in Wirral**

	£
Wirral Women & Children's Aid	4,045
Council Tax Discretionary Relief (Hardship)	50,000
Care Leaver's Discount	75,000
<b>Total</b>	<b>129,045</b>

## **Wirral Women & Children's Aid**

- 3.14 Cabinet on 22 July 2004 awarded a local discount to Wirral Women's and Children's Aid. The discount leaving no Council Tax to pay, on the basis of the valuable work undertaken at the premises. The circumstances have remained unaltered and the cost of the award is currently £4,045. A decision is required as to whether this discount continues for 2019/20.

## **Council Tax Discretionary Hardship Relief**

- 3.15 Regulations allow that a discount can be granted to an individual in case of extreme hardship and that is covered by the Council's Council Tax Discretionary Relief policy (minute 71, 10 October 2013) or a discount can be granted to all empty properties within a specific area, such as a clearance area. This can give more flexibility to the Council which has to fund any locally defined discounts. A decision is required as to whether Council Tax Discretionary Hardship Relief continues in its current format for 2019/20.

## **Care Leaver's Discount**

- 3.16 A local discount will be awarded from 1<sup>st</sup> April 2019 removing the requirement to pay Council Tax from Care Leavers until they become 25, the discount is awarded after all other reliefs and discounts have been granted and recognises the financial burden that leaving care can cause.

## **B DISCOUNTS & EXEMPTIONS - LOCAL GOVERNMENT ACT 2012**

- 3.17 The Local Government Finance Act 2012 introduced changes in national Council Tax discounts and exemptions which gave local authorities local discretion as to levels of discounts. These were considered and adopted by Cabinet on 24 January 2013 (minute 166) for the 2013/14 financial year and have continued in subsequent years. Wirral chose to maximise the charges it raises by minimising the discount awarded, i.e. 0%.

**Table 4: Local Government Act 2012 Empty Property Discounts**

<b>Income from minimising discounts</b>	<b>£</b>
Empty properties –unoccupied/renovation (Discount C+D) = 0%	2,500,000
Empty property – premium of 200%	880,000
<b>Total</b>	<b>3,380,000</b>

## **Empty Properties Discount**

- 3.18 The changes allowed by the 2012 Act covered charges made against empty property and second homes. In broad terms this removed the exempt classifications A and C and allowed Councils to define their own level of discounts re-categorising them as discounts C and D. The Regulations also allowed Councils to apply a premium on properties that had been empty for more than two years with the maximum premium being 50% on top of the 100% Council Tax already levied. These powers have now been extended by the Rating (Property in Common Occupation) and Council Tax (Empty

Dwellings) Act 2018 to allow for a charge of 100% on top of the 100% Council Tax already levied.

- 3.19 Council chose to award 0% discount (Discount D) – full charge - on properties undergoing renovations (Exemption A) which were previously entitled to a 12 month exemption, or 100% discount. The major impact other than increased charges, based upon this change is that as there is no incentive to inform the Council Tax section that a property is undergoing major repairs.
- 3.20 Council chose to similarly award a 0% discount (Discount C) – full charge - on empty properties that had previously been exempt for the first six months that they were empty, or 100% discount. This has received the most negative comments in our contacts. Disputes have increased between tenants and landlords as to the date a tenant left the property. Previously as there was a six month exemption neither party was immediately liable as Council Tax was not payable and the majority were able to be adequately resolved. The charge is levied now from day one and disputes often occur which have to be resolved by Council Tax staff. This maximisation of charges is anticipated to raise an additional £2,500,000 in Council Tax during 2019/20.
- 3.21 A further issue for landlords is that this immediate charge does not give any opportunity to “turn a property around” for a new tenant to take over without incurring a Council Tax liability. Landlord representative’s state they are denied rental income whilst readying a property for a new tenant but are charged full Council Tax in that time. If the Council were to grant a 100% discount for the first month that a property became empty this would clearly alleviate some of the problems mentioned. However if this proposal from landlords was implemented then this would cost an estimated £400,000 in lost potential Council Tax income. This has not been recommended.
- 3.22 The report recommends that the Council uses its powers to charge the maximum amount of Premium on properties that had been empty for more than two years which will be 200%. The aim is to encourage prompt property re-occupation and discourage properties being held empty by speculators waiting for an increase in values. To remove the Premium would cost £880,000 in lost potential Council Tax income if property eligibility levels in 2019/20 are the same as in the previous year.

### **COUNCIL TAX SUPPORT SCHEME**

- 3.23 In April 2013 the Government replaced the national Council Tax Benefits Scheme with a localised scheme of support which would be set and administered by each Council to support people on low income. Certain national parameters remain such as previous levels of support must continue for pensioners and vulnerable people as defined by each Council. Wirral’s Council Tax Support Scheme is largely based on the previous Council Tax Benefit Scheme. The Scheme must be approved by each year prior to the year it will be applied.

- 3.24 Central Government abolished Council Tax Benefit (CTB) on 31 March 2013 and tasked each administering Council to formulate an individual Local Scheme to replace it. At the same time Central Government reduced the grant they awarded to Councils for CTB by 10%. The Government also stated that any local Council Tax Support Scheme (CTS) devised should leave pensioners no worse off than they were under the 2012/13 CTB scheme. The option was also given to define vulnerable groups and offer the groups the same level of protection as pensioners. Wirral designated persons classed as disabled or with disabled children as vulnerable in 2013/14.
- 3.25 At 31 October 2018 there were 31,877 Council Tax Support claimants in receipt of Council Tax Support totalling £27.87m.

**Table 5: Council Tax Support Scheme claimants at 31 October 2018**

By category	Numbers	% of total
Pensioners	12,968	41%
Vulnerable Groups	10,160	32%
Working Age	8,749	27%
<b>Totals</b>	<b>31,877</b>	<b>100%</b>

- 3.26 Having regard to the financial pressures Council resolved, on 28 January 2013, that it could not find funding from its existing budgets to make up the shortfall caused by the governments changes and decided to pass on the reduction to Council Tax Support recipients that resulted in non-vulnerable working age claimants paying a minimum of **22%** of the Council Tax charge. This decision was supported by both the Council's "What Really Matters" consultation scheme and the separate consultation scheme on the Council Tax Support Scheme.
- 3.27 The response to the Council Tax Support (CTS) Scheme has seen a minimum number of appeals against the decisions that Council officers have had to make.
- 3.28 Council Tax payment levels of CTS recipients were anticipated to be lower than the main level, projecting a 74% collection rate on these specific sums. Thus far actual is in line with projections.
- 3.29 The current scheme has been reviewed by officers and consideration has been given to include or exclude different income types on a full or partial basis, cap the level of Council Tax Support Scheme to a particular Band, residency timescales, deduction levels for additional occupiers, capital limits, taper levels, changes to vulnerable groups and a banded scheme. This list is not exhaustive but indicative of the areas reviewed. After 6 years of the scheme it is felt no substantive eligibility criteria should be altered, except that the scheme be updated to recognise that Universal Credit moves to full service in November 2017 and the scheme is to be retained for the 7th year 2019/20. A report will be submitted to Cabinet with a recommendation that a full review of the scheme is carried out in 2019.



- 3.30 While the impact on individuals undoubtedly has been considerable the local elements or variances within the scheme were not disproportionate in their effect. The retention of the vulnerable group and qualifying criteria are as fair and equitable as could be put forward balancing this against the financial impacts that face the authority.
- 3.31 Wirral's Council Tax Support Scheme is largely based on the previous national Council Tax Benefit scheme and its calculations mirror Housing Benefits to build up an entitlement for support. These include applicable amounts, premiums, disregards and non-dependant deductions. The Scheme, its impacts and costs are continually monitored and need to be annually reviewed and approved prior to the year it will be applied.

#### 4.0 FINANCIAL IMPLICATIONS

- 4.1. The Council Tax Base is used to calculate Council Tax levels for 2019/20. Failure to comply with timescales could delay Council Tax bills with the potential to affect collection and cash-flow. On the assumption that the levels of support under the Local Council Tax Support Scheme and the Discounts and Exemptions are adopted the increase in the Council Base from 2018/19 to 2019/20 will result in increased Council Tax income of approximately £2.1m in 2018/19. Wirral's share of the precept after the non-collection allowance is applied will be £1.8m.
- 4.2. For Local Discounts variations to the discount levels will either generate additional or less income. The cost of local discounts are met in full by the Council and do not impact upon the Council Tax Base. Any saving to the Council will result in an increase in the amount payable by the charge payer.

**Table 6: Local Government Act 1992 Local Discounts**

	£
Wirral Women & Children's Aid	4,045
Council Tax Discretionary Relief (Hardship)	50,000
Care Leaver's Discount	75,000
<b>Total</b>	<b>129,045</b>

**Table 7: Local Government Act 2012 Empty Property Discounts**

<b>Income from minimising discounts</b>	<b>£</b>
Empty properties –unoccupied/renovation (Discount C+D) = 0%	2,500,000
Empty property – premium of 200%	880,000
<b>Total</b>	<b>3,380,000</b>

- 4.3. For 2019/20 the Council Tax Support Scheme will be retained. The estimated value of the support provided will be in the region of £29m million based on the current number of claimants.

#### 5.0 LEGAL IMPLICATIONS

- 5.1. The legislation requiring this calculation is the Local Authorities (Calculation of Council Tax Base) Regulations 1992. This requires the Authority to declare,

by means of Council resolution, the Tax Base it will use to calculate the tax level and this resolution must be no later than 31 January in the year preceding the tax.

- 5.2. This decision, could be delegated under Section 84 of the Local Government Act 2003, amended Section 67 of the Local Government Finance Act 1992, such that a full Council meeting is no longer required to adopt the Council Tax Base. The Council could then delegate the Tax Base determination function in accordance with Section 101 of the Local Government Act 1972.
- 5.3. Publication of the Council Tax Discounts and Exemptions and the Council Tax Support Scheme for 2019/20 is required by 31 January 2019.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1. There are no IT, asset or specific staffing implications arising directly from this report.

## **7.0 RELEVANT RISKS**

- 7.1. If the Council Tax Base figure is not declared by 31 January 2019 the Council and Preceptor Authorities will be unable to make considered budgetary decisions that could delay the Council Tax bills and income streams for 2019/20.
- 7.2. In respect of Local Discounts and Exemptions the changes made to domestic empty property charges raised anticipated collection in excess of £3.3m million. Given the nature of the charges, the policy whilst raising additional revenue is likely to reduce the overall average collection rate. On a simple comparison of collection rates without the context, this would make Wirral look less effective at collection than those authorities offering more generous discounts and applying no empty property premiums. Any changes to the current level of discounts or reduction to the empty premium would see a reduction in Council Tax raised and the income lost would have to be replaced by an alternative income stream.
- 7.3. That the Council Tax Support Scheme will give a reduced level of support to people and increases their risk of further financial hardship. For the Council this Scheme has the capacity to be a growth item and impact on its overall budgetary position because if the decision is taken to raise the amount of support given then the cost of the Scheme rises.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1. No consultation is required in the calculation of the Tax Base. The Discount and Exemptions are proposed to be maintained at the previous year's level and no direct consultation has been undertaken on discount levels. The level of changes for discounts and exemptions were consulted upon in 2012/13 and no specific consultation has been undertaken as they are not proposed to be changed. The Council Tax Support Scheme similarly stays unaltered in its

Scheme rules and as such this does not require formal consultation as was undertaken prior to its introduction.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1. The link to the Equality Impact Assessments for the Discount and Council Tax Support Scheme  
<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-15-0>

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## **REFERENCE MATERIAL**

Department for Communities and Local Government; - Council Tax (CTB1) form and accompanying documentation.

Local Government Finance Act 1992, 2003 and 2012.

Valuation Office Agency - Valuation List.

Welfare Reform Act 2012.

Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	9 December 2014
Cabinet	17 December 2015
Cabinet	8 December 2016
Cabinet	27 November 2017