

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	27 th May 2014
Report of:	Head of Communities
Subject/Title:	Notice of Motion – Single Person Discount
Portfolio Holders:	Councillor Raynes, Finance

1 Report Summary

- 1.1 Under a Notice of Motion, to the 10th April Council, the Cabinet is being asked to respond to in support of a press release made by the Local Government Association (LGA), dated 17th March 2014, in relation to restrict the Single Person Discount (SPD) for Council Tax.
- 1.2 The LGA is calling for flexibility to remove single person discounts, which currently reduce Council Tax by 25%, as it claims wealthy bachelors are benefitting from this reduction at the expense of lower income families.
- 1.3 Individual cases affected by the proposals would see their Council Taxes increase by up to 33% with income to the Council increasing by up to £1.5m.

2 Recommendation

- 2.1 It is requested that Cabinet does not support the notice of motion for the reasons set out in Section 3 below.

3.0 Reasons for Recommendation

- 3.1 Whilst it is recognised that the flexibility to restrict SPDs would remain at the discretion of the Council there are a number of issues that support the decision requested:
 - The claim that Band E property is considered a large home is not substantiated in relation to the tax base in Cheshire East
 - Welfare data confirms that some single residents in Band E properties are themselves considered on lower incomes, and receive Council Tax Support. The number of these cases would be highly likely to increase if Council Tax charges were increased by 33% following the removal of the discount, and it is not an objective of the Council to increase dependency on welfare.
 - Taxpayers currently affected by recent Council Tax Support reductions will be further impacted by a reduction in discount.
 - The proposals would present an unwelcome impact on families where children still reside with a single parent.
 - Taxpayers who have adaptations to their property to accommodate a disability currently receive a reduction in council tax. The removal of SPD would increase their council tax above the pre disabled reduction level.
 - Council Tax legislation also provides for reductions of 25% for households where more than one person resides but the other resident is 'disregarded'. A number of inequities could arise if SPD is removed in isolation.

- Unlike other tax base reforms introduced by Cheshire East Council in relation to empty homes there is unlikely to be any impact from this proposal that makes better use of existing housing stock.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 The report outlines policy proposals which will impact on service delivery.

7.0 Financial Implications

7.1 The maximum financial impact of the removal of Single Person Discounts from properties in Bands E to H, without allowing for restricted groups, would be an increase in the Council Tax debit of up to £3.3m based 7,819 current cases (being the value of SPDs x number of SPDs).

7.2 The total impact would be restricted under the Local Government Association proposals, to protect pensioners, but would also be affected by some individuals in bands E to H who are Council Tax Support (CTS) claimants:

- Applying a basic pro-rata to the current single pensioner households reduces the number of potential cases by 3,645
- 151 SPD cases in band E-H properties claim CTS. For simplicity we can assume these households are working but pay only 20% of the Council Tax liability

7.3 Overall the impact of pensioners and CTS claimants would reduce the maximum potential income to the Council from this policy by more than half, to £1.5m.

8.0 Legal Implications

8.1 None.

9.0 Risk Management

9.1 There are no risks linked to achievement of the Council's objectives, as set out in the 3 Year Plan, as a consequence of this report.

10.0 Background and Options

10.1 The following notice of motion was referred to Cabinet at the Council meeting of 10th April 2014:

Proposed by Councillor S Corcoran and Seconded by Councillor M Sherratt.

"This Council supports the proposals of the Local Government Association for reforming the single person discount. Under the plans, councils would have the flexibility to adjust the discount for working people living alone in large homes –

rated council tax band E and above. Discounts for single people in smaller homes and all pensioners would remain protected.”

- 10.2 The notice of motion followed a press release by the Local Government Association on 17th March 2014, details of which are extracted below:

“Councils call for flexibility over ‘wealthy bachelor’ council tax discount”

“A compulsory council tax discount which is received by wealthy working-age people living alone in large homes is making it harder for local authorities to protect discounts for struggling families on low incomes.

The LGA, which represents councils in England and Wales, has set out proposals for reforming the single person discount. Under the plans, councils would have the flexibility to adjust the discount for working people living alone in large homes – rated council tax band E and above. Discounts for single people in smaller homes and all pensioners would remain protected.”

- 10.3 Section 11 of The Local Government Finance Act 1992 allows a 25% discount where there is only one resident in a property.
- 10.4 Cheshire East has 167,052 Households of which 53,749 (32%) claim single person discount, by way of comparison, this is marginally above averaged as the 2011 Census indicated that single person households make up 30% of the national total.
- 10.5 SPD in bands E-H is split as follows in Cheshire East:

	Number of cases in Cheshire east	Current Value of SPD in each case
Band E	3,904	£372
Band F	2,133	£439
Band G	1,616	£507
Band H	166	£608
Total	7,819	

- 10.6 The maximum impact of the removal of SPD, without allowing for restricted groups, would be therefore be £3.3m (value of SPD x number of SPDs)
- 10.7 The total impact would be restricted under the proposals, to protect pensioners, but would also be affected as some individuals claim Council Tax Support (CTS). Overall the impact of pensioners and CTS claimants would reduce the maximum potential income from this policy by more than half, to £1.5m.
- 10.8 The impact on individuals could be up to a 33% increase in their Council Tax liability:

	Number affected	Increase in CT liability	Number of CTS claimants affected	Increase in CTS claimants' liability
Band E	1724	£372	96	£74
Band F	956	£439	38	£88
Band G	736	£507	17	£101
Band H	77	£608	0	-

10.9 As size of property is not directly linked to wealth, it is not possible to calculate the potential for the above increases in Council Tax liability to lead to an increase in claims for CTS. However, the size of the increases makes an increase in claims highly likely which would impact on the potential increase in Council Tax income to the Council as well as pushing more cases in to requiring welfare support and the associated administration costs to the Council.

10.0 Access to Information

10.1 The background papers relating to this report can be inspected by contacting the report writer:

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