



Cabinet 10 December 2013

Local Council Tax Reduction Scheme and Council Tax Technical Changes 2014/2015 (Dec13/04)

1. Summary and reasons for recommendations

- 1.1 This report provides Members with an overview of the progress to date on the new Local Council Tax Reduction Scheme (LCTRS) and the technical changes on some empty properties and second homes, introduced from 1 April 2013.
- 1.2 Cabinet is asked to recommend to Council that the 2014/2015 Local Council Tax Reduction Scheme (LCTRS) and the technical changes, as shown in paragraph 4.3, remains the same as the 2013/2014 scheme.

2. Recommendations

- 2.1 It is **RECOMMENDED** that:
 - (1) Cabinet notes the monitoring position of the Local Council Tax Reduction Scheme 2013/2014 and council tax technical changes as at 10 October 2013, as detailed in paragraphs 5.7 to 5.12 of Report E197; and
 - (2) subject to the approval of full Council, no change be made to the current Local Council Tax Reduction Scheme 2013/2014 or council tax technical changes for 2014/2015, as detailed in Section 6 of Report E197.

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3. Corporate priorities

3.1 The continuation of the current Local Council Tax Support scheme will support the following corporate priorities:

- (a) Corporate Priority 1: *'Working together for strong, healthy and diverse communities'*; and
- (b) Corporate Priority 3: *'Working together for an efficient council'*.

4. Background

4.1 The Local Council Tax Reduction Scheme (LCTRS) was introduced on 1 April 2013. (Paper D224, 12 December 2012 refers.) The scheme served two purposes:

- to localise the system of benefits previously administered by central government
- to reduce by 10% the amount of support paid to those finding it hard to pay council tax, in order to meet the Government's funding cut.

4.2 Following consultation, the Council decided to meet the cost of the Government's 10% cut by requiring working age claimants to pay 8.5% more of the council tax charge than previously; and by changing the discounts / exemptions available to owners of second homes and empty properties. Limiting the increase for working age claimants meant that the Council received a year one transitional grant from Government.

4.3 The scheme adopted for empty and second homes at Cabinet on 13 February 2013 (Paper D277 refers) was as follows:

Discounts	2012/2013	2013/2014
Class A, empty, unfurnished and undergoing major repairs to render habitable	100% exemption for 12 months maximum	10% discount for a twelve month period
Class C, empty, substantially Unfurnished	100% exemption for 6 months maximum	10% discount for a six month period
Second homes	10% discount	5% discount
Empty homes premium (property empty for more than 2 years)		Pay 150%

4.4 The Council received a one off transitional grant in 2013/2014 from Department of Communities and Local Government (DCLG), the intention was to use some of this grant to implement a cost neutral scheme.

5. Current year progress (2013/2014 scheme)

Communications

5.1 Communications about the introduction of 2013 Localised Council Tax Support Schemes began in August 2012, with community consultation on how the cost

of reduced Council Tax Benefit funding should be borne. There was a strong response to a survey mailed to those likely to be directly affected, as well as returns from the general public. The outcome of the consultation informed the design of the schemes.

- 5.2 The Council worked closely with Anglia Revenues and Benefits Partnership (ARP) and other partners to target those affected by the changes and ensure they were aware and could plan accordingly. The strategy was to avoid creating concern amongst 'worried well' and communicate with Council Tax Benefit recipients and property owners and agents concerned directly by letter.
- 5.3 Member and media briefings were held to explain the reasons for the changes and fact sheets compiled showing the numbers/groups affected, the difference in income and how we would deliver a financially neutral scheme. The outcome was good levels of awareness among benefits claimants, but learning to be taken from the effectiveness of communication channels for property owners.
- 5.4 The changes resulted in just under 2,500 more telephone billing calls offered in April 2013 to those offered in April 2012. (3 authorities – Breckland District Council calls were via the contact centre). Billing calls in the first six months was just under 5,000 extra calls, reminder calls just under 2,500 extra calls, and recovery calls 800 extra calls, (8,300 more Council Tax calls offered this year than last during the first six months). The number of reminders rose by 23.96%, and summonses rose by 35.82% compared to last year.
- 5.5 There has been an increase in the number of face-to-face enquiries at our customer access offices and feedback from staff suggests that these enquires, combined with the changes to housing benefit, are of a more complex nature and generally take longer to deal with.

Collection rates

- 5.6 The table below shows the collection rates of the scheme as outlined in section 4 above, as at 1 October 2013. The scheme assumed a 90% collection rate over a two year period, and a 98% collection rate incorporating the technical changes, therefore if the collection rates continue at the current level the scheme will deliver the desired outcome of a cost neutral position.

Implementation of LCTRS, technical changes and impact	As at 19/08/2013		As at 01/10/2013	
	% collected	£ collected	% collected	£ collected
Overall	47.1	25,025,037	58.6	31,122,499
LCTRS - Claimants previously in receipt of 100% Benefit	30.8	151,825	40.6	187,555
LCTRS - Current council tax reduction scheme claimants (not including above and below)	41.5	587,775	56.5	733,383
LCTRS - Claimants in receipt of maximum discount			55.8	153,494
Empty > 6mths			53.8	191,054
Uninhabitable (10% 12 mths)	46.4	24,813	62.5	36,083
Empty unoccupied unfurnished (10% 6mths)	51.4	100,654	65.8	116,623
Premium 150%	46.5	73,796	59.1	102,465

Monitoring of the 2013/2014 changes

- 5.7 The 2013/2014 scheme and technical changes were designed to deliver a cost neutral scheme against the 10% government grant reduction (from the previous benefit scheme cost). Monitoring arrangements are in place on a monthly basis between ARP and the finance team.
- 5.8 The monitoring of the LCTRS itself, the cost of providing council tax discounts (previously benefits) and the overall case load has been a fairly straight forward process as the system used at ARP already has the reporting functionality from the previous benefit scheme monitoring arrangements. Case load for local council tax support has reduced from 7,476 to 7,199 (comparison to October 2012).
- 5.9 The monitoring of the technical changes has proven to be less straightforward when it comes to forecasting within the current system set up. However, the overall number of empty properties and second homes units is fairly consistent with those experienced within the calendar year of 2011/2012, the year of which the original modelling for the scheme design was based on.
- 5.10 At the half year position it is believed that the Council's overall scheme is delivering on that desired cost-neutral position against the grant reduction for 2013/2014, across the LCTRS and council tax technical changes. Collection rates are also on target as outlined in paragraph 5.6 above.
- 5.11 The biggest challenge has been around communicating the changes and although we took a proactive approach, calls into ARP rose significantly during the first 6 months of the year, as detailed in paragraph 5.4 above. These calls have now settled down and it is believed that this spike in calls is unlikely to repeat itself unless further changes to the scheme are made. The overall staffing levels at ARP have remained the same during this time; however management will continue to review this position.
- 5.12 An exceptional hardship fund was established to assist applicants for Council Tax Support who are facing 'exceptional hardship'. The fund has been created to provide further assistance where an applicant is in receipt of Council Tax Support but the level of support being paid by the Council does not meet their full Council Tax Liability. To date no exceptional hardship fund payments have been awarded.

6. 2014/2015 scheme proposals

- 6.1 Councillor Colin Noble, Portfolio Holder for Finance and Property at Suffolk County Council (SCC), wrote to Councillor David Ray to advise that as the main precepting authority with around 80% of the council tax bill, SCC was content with a 2014/2015 scheme along the lines of maintaining the overall 2013/2014 budget level for the LCTRS with no further reduction in expenditure required other than the original 10% Government reduction (cost neutral position at that point), which was achieved across the LCTRS and technical changes income.

6.2 Whilst the monitoring figures and position reported provides some comfort, a full year's review needs to be undertaken to understand the overall impact including behavioural changes around bringing empty properties back into use, property numbers and LCTRS caseload before recommending any changes to the schemes. Therefore the recommendation is to continue the schemes in their current forms, including applying the current 2013/2014 level of applicable amounts[#] within the LCTRS, for 2014/2015.

An applicable amount is the amount that the Government says that a family needs to live on each week. When your applicable amount has been calculated it is then compared with your income to work out the council tax reduction entitlement for which you are eligible.

6.3 A full year review can then be undertaken during 2014/2015 to ensure that the cost neutral scheme is delivered for 2015/2016.

6.4 Due to the fact that the LCTRS is not changing this year there is no requirement to undertake specific consultation.

7. Other options considered

7.1 Changing the current schemes is not required from a financial perspective, as the current schemes are operating effectively, delivering a cost-neutral position. The Councils considered further increasing the amount that recipients of council tax discount would need to pay, in order to reflect the wider reductions in Government funding of local authorities in 2014/2015. However, in the absence of a full year's monitoring information, it was considered premature to make changes to the LCTRS. Instead, a fuller review in advance of implementing the 2015/2016 scheme will be carried out. This review will also take account of the impacts on council tax payers of the schemes in 2014/2015.

8. Community impact

8.1 Crime and disorder impact

8.1.1 The proposals contain provisions for dealing with welfare concerns of residents; particularly vulnerable people and to avoid child poverty.

8.2 Diversity and equality impact

8.2.1 An equality impact assessment was undertaken as part of the development of the 2013-2014 scheme in 2012. As there are no changes to the scheme the equality impact assessment is unchanged.

8.3 Sustainability impact

8.3.1 No impact.

8.4 Other impact

8.4.1 None.

9. Consultation

- 9.1 A programme of consultation with key stakeholders was undertaken as part of the introduction of the scheme in 2012. (Paper D224 12 December 2012 refers). Due to the fact that the scheme is not changing this year there is no requirement to undertake specific consultation.
- 9.2 Officers will work through a communication plan for the 2014/2015 scheme prior to its adoption.

10. Financial and resource implications

- 10.1 St Edmundsbury continues to come under significant pressure from central government grant reductions. The Local Council Tax Support Grant received in 2013/2014 was a separately identifiable grant amount received as part of the council's grant settlement and therefore the Council was able to identify the amount that it had been reduced by (10%). However it has been confirmed by the DCLG that this amount will not be separately identifiable going forward. St Edmundsbury is anticipating, based on our provisional 2014/2015 settlement figure, up to a 24% reduction in our Central Government grant.
- 10.2 The recommended continuation of the current schemes covered by this report is intended to continue to deliver a 'cost neutral scheme' against the original 10% government grant reduction. The impact of the 2014/2015 24% reduction in Central Government grant is therefore required to be addressed elsewhere and will form part of the Councils' wider Medium Term Financial Strategy review and 2014/2015 budget setting process.

11. Risk /opportunity assessment

- 11.1 It is essential to continue to monitor the scheme and the impact on collection rates.
- 11.2 There are a number of potential financial risks involved. These include:
- (a) Recovery of Council Tax.** There is a risk of a lower level of collection of Council Tax, although data from ARP so far suggests that this impact has not been great in 2013/2014.
 - (b) Recovery of administration costs.** The number of people paying Council Tax may increase and we will need to consider the impact on resources needed to collect this money.
 - (c) Demand.** Under the old benefit scheme there was no direct financial impact on the Council of changes in the amount of benefit paid. Under the LCTRS any increase in claimant numbers will be borne by all of the major preceptors including St Edmundsbury.
- 11.3 The major precepting authorities will share the financial risks associated with LCTRS. Representatives from St Edmundsbury and other Suffolk billing authorities and Suffolk County Council are continuing to work together to monitor the county-wide framework.
- 11.4 A range of measures will continue to be offered to affected people to help them pay, such as Direct Debit.

12. Legal and policy implications

- 12.1 The National Council Tax Reduction Scheme for Pensioners will be determined by Central Government whilst the Local Council Tax Reduction scheme for people of working age is determined by each local authority. The scheme may be altered each year, giving the Council the opportunity to take into consideration any local factors or budget constraints. Subsequent amendments may require further consultation and agreement.
- 12.2 The Council's Constitution gives the Head of Resources and Performance delegated power 'to manage the Revenues and Benefits function' including appointing officers of Anglia Revenues and Benefits Partnership (ARP) to carry out debt recovery and criminal prosecutions and for the administration of the Localised Council Tax Reduction Scheme (LCTRS).

13. Wards affected

- 13.1 All wards

14. Background papers

- 14.1 Cabinet Report D224: Local Council Tax Support 12 December 2012

Cabinet Report D277: Council Tax Base for Tax Setting Purposes 2013/2014 and Changes to the Level of Discounts and Exemptions in Respect of Second Homes and Some Classes of Empty Properties - 13 February 2013

15. Documents attached

- 15.1 None