

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Local Council Tax Reduction Scheme and Council Tax Technical Changes 2016/17	
Report No:	CAB/SE/15/074	
Report to and dates:	Cabinet	24 November 2015
	Council	15 December 2015
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Purpose of report:	This report sets out recommendations for Members on the 2016/17 Local Council Tax Reduction Scheme (LCTRS) and technical changes levels from 1 April 2016.	
Recommendation:	It is <u>RECOMMENDED</u> that subject to the approval of full Council, no change be made to the current Local Council Tax Reduction Scheme or Council Tax Technical changes levels for 2016/2017, as detailed in Sections 5 and 6 of Report No: CAB/SE/15/074	

<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>As it is a full Council decision.</p>
<p>Consultation:</p> <p>Alternative option(s):</p>	<ul style="list-style-type: none"> • As detailed in the body of the report • Looking at the scheme in isolation, changing the current LCTR scheme is not required from a financial perspective, as the current schemes are operating effectively, delivering a cost-neutral position. • Members could reduce the maximum level of discount under the LCTR scheme to generate additional revenue for the Council to assist towards delivery of council services as a result of the wider financial pressures. Providing a maximum of 90% discount (a reduction of 1.5% discount for working age claimants as the current scheme is 91.5%) would generate an additional £5,500 for St Edmundsbury (based on 11.9% share). • Members could reduce the discount available for empty properties and uninhabitable properties to generate additional revenue for the council to assist towards delivery of Council services. Complete removal of the current discounts/exemptions around class A and C technical changes would generate £7,500 for St Edmundsbury (based on 11.9% share). • These options are addressed in para 2.5 of the report
<p>Implications:</p>	
<p>Are there any financial implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • As outlined in the body of the report.
<p>Are there any staffing implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
<p>Are there any ICT implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
<p>Are there any legal and/or policy implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • As outlined in the body of the report

<p>Are there any equality implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> 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 LCTR scheme the equality impact assessment is unchanged. 	
<p>Risk/opportunity assessment:</p>		<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
<p>Reduction in collection rates Council Tax collection rates could decrease over the year, reducing the scheme revenues</p>	High	ARP closely to monitor non-payment from working age claimants.	Medium
<p>Demand. There is a risk of a higher demand on the LCTR Scheme.</p>	High	ARP to closely monitor caseload. 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.	Medium
<p>Ward(s) affected:</p>		All Wards	
<p>Background papers: <i>(all background papers are to be published on the website and a link included)</i></p>		<p>D224 Local Council Tax Support 2013/2014</p> <p>D277 Council Tax Technical Changes and Tax Base 2014/2015</p> <p>E197 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2014/2015</p> <p>CAB/SE/14/007 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2015/16</p>	
<p>Documents attached:</p>		<p>Appendix A - New Policy Institute study - Impacts of Council Tax Support Reduction on Arrears, Collection rates and Court Administration costs from 2014.</p>	

1. Key issues and reasons for recommendation(s)

- 1.1 The Government replaced Council Tax Benefit with a Localised Council Tax Reduction Scheme (LCTRS) from 1 April 2013. This meant that St Edmundsbury had to decide upon a local means tested scheme to replace Council Tax Benefit.
- 1.2 The Government's aims in making this change were:
- to transfer the system to local control; and
 - 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.
- 1.3 In creating a local scheme St Edmundsbury also aimed to:
- make provision to protect vulnerable people; and
 - support work incentives for claimants created by the Government's wider welfare reform
- 1.4 At the same time, councils were given the discretion to increase council tax income; to charge up to 100% for some previously exempt properties, to charge up to 100% in respect of furnished empty properties (usually referred to as holiday homes), to charge up to 100% in respect of second homes and to charge up to 50% empty homes premium for properties that had been empty for over 2 years.
- 1.5 In offering these new powers to increase council tax income from empty properties, the Government was seeking to influence owners to bring empty homes back in to use.
- 1.6 Following consultation, the Council decided in 2013 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 as detailed in paragraph 1.7. St Edmundsbury protected War Pensioners (pensioners are protected by the Government changes) from the reduction in maximum benefit and also removed Second Adult Rebate for working age claimants from our schemes.
- 1.7 St Edmundsbury also used their powers to increase council tax income as follows:

Table 1

Discounts	2012/13	2013/14 & 2014/15	2015/16
Class A, empty, unfurnished and undergoing major repairs to render habitable	100% exemption for 12 months maximum	10% discount for a twelve month period	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	1 week Exemption then 100% charge
Second homes	10% discount	5% discount	No discount
Empty homes premium (property empty for more than 2 years)		Pay 150%	Pay 150%

2. Second Year Review 2014/15 - Behavioural and Administrative impacts

- 2.1 A number of customers receiving LCTRS had not had to pay any council tax in the past. Having to pay 8.5% of the council tax charge represented a significant cultural change and this led to a very large increase in calls to the offices and over the phone in 2013/14. In 2014/15 the number of customers querying bills and the issue of reminders and summons has reduced back to the type of levels we saw in 2012/13.
- 2.2 The Council's aim was to achieve a balance in charging an amount of council tax to encourage working age claimants back in to work whilst setting the amount charged at an affordable and recoverable level.
- 2.3 By setting the amount payable on LCTRS at 8.5% of the charge, in most cases, where a customer is not paying we can effect recovery through attachment to benefit within a year and so the charge, with costs, is recoverable. If the amount payable was much higher than it is, it is likely that debt would not be recoverable and there would be a danger of creating a culture of non-payment of council tax.
- 2.4 National research shows that any further increase in the amount payable for working age LCTRS customers could increase administration costs and have a detrimental effect on collection rates, see appendix - Impacts of Council Tax Support Reduction on Arrears, Collection rates and Court Administration costs from 2014 (New Policy Institute study).

3. Second Full Year Review 2014/15 – Financial Impacts

- 3.1 Council tax accounts where there has been a period of LCTRS awarded, show a collection rate of nearly 84.3%, compared with our target of 90% over the two year period. As expected, collection has partly relied upon a significant increase in arrangements to deduct council tax from Department for Work and Pension (DWP) Benefits. For comparison purposes, the in-year collection for 2014/15 (non LCTRS) was 98.3%.
- 3.2 St Edmundsbury has seen a reduction in LCTRS caseload of 4.5% compared to 2013/14 levels. A very small number of LCTRS customers have also received Housing Benefit reductions attributed to the Welfare Reform changes from April 2013, namely the Spare Room Subsidy Restriction and the Benefit Cap, with little demand for Exceptional Hardship payments which can be applied for using a specific application form available for this purpose.
- 3.3 In assessing the anticipated LCTRS expenditure for 2014/15 it was assumed that this would be at the 2013/14 level along with an assumption for bad debt was factored in to the budget. The actual 2014/15 LCTRS expenditure was therefore below budget due to the drop in overall caseload. Going forward, we assume neutral changes to the caseload as, whilst unemployment continues to fall, a major employer reducing staff significantly, ceasing to trade or relocating is difficult to predict.

- 3.4 In respect of the technical changes for 2014/15, these were broadly in line with the expected costs/budget for the year and it is assumed this will continue throughout the current year 2015/16.

4. Financial and resource implications

- 4.1 St Edmundsbury continues to come under significant pressure from Central Government grant reductions. The Local Council Tax Support Grant received in 2013/14 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 Department of Communities and Local Government that this amount will not be separately identifiable going forward. St Edmundsbury is anticipating up to a 24% reduction in our Central Government grant.
- 4.2 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. This is in order to maintain collection rates and avoid additional administrative costs. The impact of the 2016/17 24% reduction in Central Government grant is therefore required to be addressed elsewhere and will form part of the Council's wider Medium Term Financial Strategy review and 2016/17 budget setting process.
- 4.3 As both the LCTR scheme and council tax technical changes are discount and exemption based, any proposed changes have a direct impact on the Council's Tax Base for Council Tax setting purposes. The proposals below at section 5 and 6 will therefore feed into the Tax Base setting process during the autumn 2015.

5. Proposals for 2016/17 LCTR scheme

- 5.1 Based on the overall findings of the second year review outlined above in Sections 2 and 3, the recommendation is to continue the LCTR scheme in its current form, including applying the current 2015/16 level of applicable amounts # within the LCTRS, for 2016/17.

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.

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

6. Proposals for 2016/17 technical changes

- 6.1 Based on the overall findings of the second year review outlined above in Sections 2 and 3, the recommendation is to continue with the 2015/16 levels:

Table 2

Discounts/exemptions	2016/17
Class A, empty, unfurnished and undergoing major repairs to render habitable (formally exempt Class A)	10% discount for a twelve month period
Empty, substantially unfurnished properties, which have been so for less than one week since the property was last occupied. For the purposes of determining when the property was last occupied, any period of less than 6 weeks within which the property was occupied will be disregarded. (formally exempt Class C)	1 week exemption followed by a 100% charge (Conditions detailed to the left)
Second homes	No discount – charge 100%
Empty homes premium (property empty for more than 2 years)	Pay 150%

7. Legal and policy implications

- 7.1 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.
- 7.2 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).