

# Cabinet



*St Edmundsbury*  
BOROUGH COUNCIL

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| <b>Title of Report:</b>     | <b>Local Council Tax Reduction Scheme and Council Tax Technical Changes 2017/2018</b>  |                  |
| <b>Report No:</b>           | <b>CAB/SE/16/065</b>   |                  |
| <b>Report to and dates:</b> | <b>Cabinet</b>   | 8 December 2016  |
|                             | <b>Council</b>   | 20 December 2016 |
| <b>Portfolio holder:</b>    | Ian Houlder<br>Portfolio Holder for Resources and Performance<br><b>Tel:</b> 01359 250912<br><b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>  |                  |
| <b>Lead officers:</b>       | Paul Corney<br>Head of Anglia Revenues Partnership<br><b>Tel:</b> 01842 756437<br><b>Email:</b> <a href="mailto:paul.corney@angliarevenues.gov.uk">paul.corney@angliarevenues.gov.uk</a>   |                  |
|                             | Rachael Mann<br>Head of Resources and Performance<br><b>Tel:</b> 01638 719245<br><b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>  |                  |
| <b>Purpose of report:</b>   | This report sets out recommendations on the 2017/18 Local Council Tax Reduction Scheme (LCTRS) and technical changes levels from 1 April 2017.   |                  |
| <b>Recommendation:</b>      | <b>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 2017/2018, as detailed in Section 5 of Report No: CAB/SE/16/065.</b> |                  |

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| <p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> 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><b>Consultation:</b></p> <p><b>Alternative option(s):</b></p>   | <ul style="list-style-type: none"> <li>• As detailed in the body of the report</li> <li>• 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.</li> <li>• 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 £7,700 for St Edmundsbury (based on 11.9% share).</li> <li>• 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 properties would generate £8,300 for St Edmundsbury (based on 11.9% share).</li> </ul> |
| <p><b>Implications:</b></p>  |  |
| <p><i>Are there any <b>financial</b> implications?</i><br/><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"> <li>• As outlined in the body of the report.</li> </ul>  |
| <p><i>Are there any <b>staffing</b> implications?</i><br/><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"> <li>•</li> </ul>   |
| <p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>                                     | <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>•</li> </ul>   |

| <p>Are there any <b>legal and/or policy</b> implications? If yes, please give details</p>   |  | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>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.</li> </ul> |                                |
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| <p>Are there any <b>equality</b> implications? If yes, please give details</p>  |  | <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>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.</li> </ul>   |                                |
| <p><b>Risk/opportunity assessment:</b></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><b>Reduction in collection rates</b><br/>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><b>Demand.</b><br/>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><b>Ward(s) affected:</b></p>   |  | All Wards   |                                |

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| <p><b>Background papers:</b><br/> <i>(all background papers are to be published on the website and a link included)</i></p> | <p><a href="#"><u>D224 Local Council Tax Support 2013/2014</u></a></p> <p><a href="#"><u>D277 Council Tax Technical Changes and Tax Base 2014/2015</u></a></p> <p><a href="#"><u>E197 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2014/2015</u></a></p> <p><a href="#"><u>CAB/SE/14/007 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2015/16</u></a></p> <p><a href="#"><u>CAB/SE/15/074 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2016/17</u></a></p> |
| <p><b>Documents attached:</b></p>   | <p>None</p>  |

## 1. Key issues and reasons for recommendation(s)

- 1.1 Since 1 April 2013, St Edmundsbury Borough Council has operated a Localised Council Tax Reduction Scheme (LCTRS) to replace the previous, centrally administered Council Tax Benefit. St Edmundsbury's scheme is aimed at:
- making provision to protect vulnerable people; and
  - supporting work incentives for claimants created by the Government's wider welfare reform.
- 1.2 Councils were also given the discretion in 2013 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, with the aim of bringing them back into use.
- 1.3 St Edmundsbury's initial scheme for 2013-14 required working age claimants to pay 8.5% more of the council tax charge than previously. This requirement has been continued over the subsequent 3 financial years, 2014-15, 2015-16 and 2016-17.
- 1.4 The technical changes made are shown in table 1 below. St Edmundsbury also protected War Pensioners (pensioners are protected by the Government changes) from the reduction in maximum benefit and removed Second Adult Rebate for working age claimants.

**Table 1**

| <b>Discounts</b>   | <b>2012/13</b>                       | <b>2013/14 &amp; 2014/15</b>           | <b>2015/16 &amp; 2016/17</b>           |
|--|--------------------------------------|--|--|
| 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. Scheme Review – Financial Impacts

- 2.1 Council tax accounts where there has been a period of LCTRS awarded, show a collection rate of 84.4%, compared with our target of 90% over the two year period (and 83.3% in 2014-15). 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, overall in-year collection for 2015/16 was 98.29% (compared to 98.3% in 2014/15).

- 2.2 St Edmundsbury has seen a reduction in LCTRS caseload of 4.8% compared to 2015 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.
- 2.3 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.
- 2.4 In respect of the technical changes for 2015/16, these were broadly in line with the expected costs/budget for the year and it is assumed this will continue throughout the current year 2016/17.

### **3. Scheme Review - behavioural and administrative impacts**

- 3.1 The Council's aim in setting the LCTRS scheme has so far been 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.
- 3.2 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.

### **4. Setting the 2017/18 scheme**

- 4.1 Continuing the current LCTRS and approach to technical changes would create a 'cost neutral scheme' for the council, notwithstanding reductions in the Local Council Tax Support Grant, which would have to be absorbed elsewhere in the council's 2017-18 budget setting process.
- 4.2 Changes could be made to the maximum benefit amount and technical changes, however, both of these would carry with them significant behavioural impacts which could affect overall yield.
- 4.3 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 the following reports: –

(A) [Impacts of Council Tax Support Reduction on Arrears, Collection rates and Court Administration costs from 2014 \(New Policy Institute study\).](#)

(B) – [Joseph Rowntree Trust / New Policy Institute - Managing the challenges of localised Council Tax Support](#) and

(C) – [Eric Ollerenshaw –An Independent Review of Local Council Tax Support Schemes](#)

- 4.4 Similarly, any changes to the discounts offered under the technical changes would have a direct impact on the council's tax base for council tax setting purposes.
- 4.5 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. These proposals will therefore feed into the Tax Base setting process during the autumn 2016.

## **5. Proposals for 2017/18 scheme**

- 5.1 Based on the overall findings of the scheme review outlined above in sections 2 and 3, the recommendation is to continue the LCTR scheme in its current form, including applying the current level of applicable amounts<sup>1</sup> within the LCTRS, for 2017/18.
- 5.2 It is also recommended to continue with the 2016/17 levels for second homes and empty properties, as set out in table 1 above.
- 5.3 Due to the fact that the LCTRS is not changing this year there is no requirement to undertake specific consultation.
- 5.4 A parallel report is being considered by Forest Heath District Council's Cabinet, with no proposed changes to their scheme for 2017-18, although there continues to be some differences in the technical changes between the two councils.

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<sup>1</sup> An applicable amount is the amount that the Government says that a family needs to live on each week. When a person's applicable amount has been calculated it is then compared with his/her income to work out the council tax reduction entitlement for which s/he is eligible.