

Cabinet



Forest Heath
District Council

Title of Report:	Local Council Tax Reduction Scheme and Council Tax Technical Changes 2015/2016	
Report No:	CAB/FH/14/007	
Decisions plan reference:	Dec14/04	
Report to and dates:	Cabinet	9 December 2014
	Council	10 December 2014
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Purpose of report:	This report provides Members with an overview of the first year review (2013/14) 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. This report also sets out recommendations for members on the 2015/2016 Local Council Tax Reduction Scheme (LCTRS) and the technical changes from 1 st April 2015.	

Recommendation:	<p>It is <u>RECOMMENDED</u> that, Cabinet:</p> <p>a) Note the 1st year review for 2013/2014.</p> <p>b) Recommend to Full Council that no change be made to the current Local Council Tax Reduction Scheme for 2015/2016.</p> <p>c) Recommend to Full Council that the 5% second homes discount be removed from 1st April 2015.</p>
<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><i>The decision made as a result of this report will be published within 48 hours and cannot be actioned until seven working days have elapsed. This item is included on the Decisions Plan.</i></p>	
Consultation:	<ul style="list-style-type: none"> As detailed in the body of the report
Alternative option(s):	<ul style="list-style-type: none"> Changing the current LCTR scheme is not required from a financial perspective, as the current schemes are operating effectively, delivering a cost - neutral position.
Implications:	
<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? <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"> 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.

Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Recovery of Council Tax. There is a risk of a lower level of collection of Council Tax	High	Continue with the 2014/15 scheme. ARP to closely to monitor non-payment from working age claimants.	Medium
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.	Medium	Monitor resources. A range of measures will continue to be offered to affected people to help them pay, such as Direct Debit	Low
Demand. There is a risk of a higher demand on the LCTR Scheme.	High	ARP to closely monitor caseload. The major precepting authorities will share the financial risks associated with LCTRS. Representatives from Forest Heath and other Suffolk billing authorities and Suffolk County Council are continuing to work together to monitor the county-wide framework.	Medium
Ward(s) affected:	All Wards		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	<p>Report No COU13/610 - Local Council Tax Support 2013/2014 – Extraordinary Council – 16 January 2013 (https://democracy.westsuffolk.gov.uk/CeListDocuments.aspx?CommitteeId=172&MeetingId=1664&DF=16%2f01%2f2013&Ver=2)</p> <p>Report No COU13/611 - Council Tax for council tax base setting purposes 2013/14 and changes to the level of discounts and exemptions in respect of second homes and some empty properties – Extraordinary Council – 16 January 2013 (https://democracy.westsuffolk.gov.uk/CeListDocuments.aspx?CommitteeId=172&MeetingId=1664&DF=16%2f01%2f2013&Ver=2)</p> <p>Report No COU13/654 - Local Council Tax Reduction Scheme and Council Tax Technical Changes 2014/15 – Council – 11 December 2013</p>		

	(https://democracy.westsuffolk.gov.uk/CeListDocuments.aspx?CommitteeId=172&MeetingId=1674&DF=11%2f12%2f2013&Ver=2)
Documents attached:	Appendix A: 1 st Year review data

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 the 1st April 2013. This meant that Forest Heath 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 Forest Heath 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 were seeking to influence owners to bring empty homes back in to use.
- 1.6 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 as detailed in paragraph 1.8.
- 1.7 Limiting the increase for working age claimants meant that the council received a year one transitional grant from Government, however the funding has not been offered again in 2014/15. Forest Heath protected War Pensioners from the reduction in maximum benefit and also removed Second Adult Rebate for working age claimants from our schemes.
- 1.8 Forest Heath also used their powers to increase council tax income as follows:

Table 1

Discounts	2012/13	2013/14 & 2014/15
Class A, empty, unfurnished and undergoing major repairs to render habitable	100% exemption for 12 months maximum	30% discount for a twelve month period
Class C, empty, substantially unfurnished	100% exemption for 6 months maximum	One month exemption or of 100%
Second homes	10% discount	5% discount
Empty homes premium (property empty for more than 2 years)	Pay 100%	Pay 150%

2. 1st Year Review 2013/14 - 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. Anecdotally, national and local welfare groups have commented that working age welfare customers have struggled to adjust to the introduction of this and the wider Welfare Reforms simultaneously.
- 2.2 As can be seen in Appendix A the number of reminders and summons increased greatly and the amount of further recovery work increased too. In 2014/15 the number of customers querying bills and the issue of reminders and summons has reduced back to the sort of levels we saw in 2012/13.
- 2.3 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.
- 2.4 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 likely that debt would not be recoverable and there would be a danger of creating a culture of non-payment of council tax.
- 2.5 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.
- 2.6 The technical changes introduced from 1st April 2013 created a number of enquiries into the offices, which have in 2014/15 reduced back to the sort of levels we saw in 2012/13. Appendix A details the number of empty properties recorded between 2012/13 and 2013/14. The data indicates that the policy change may have had some influence on owners to bring empty homes back in to use.

3. 1st Full year review 2013/14 – Financial Impacts

- 3.1 Appendix A to this report shows the collectable council tax for any case that has at some point in the year received a discount under the CTRS. The debit shown in Appendix A includes the whole amount charged for in the year including the discounted periods.
- 3.2 Council Tax accounts where there has been a period of LCTRS awarded show a collection rate of nearly 90% in year one of the scheme, whilst the target was to achieve this level of collection after 2 years. As expected collection has partly relied upon a significant increase in arrangements to deduct Council Tax from DWP Benefits (see Appendix A - attachments to benefit). For comparison purposes the in-year collection was 97.12%.
- 3.3 Forest Heath have seen a reduction in LCTRS caseload of 8% compared to early 2012/13 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.

- 3.4 In assessing the anticipated LCTRS expenditure for 2013/14 a growth in caseload was anticipated and an assumption for bad debt was factored in to the budget. The actual LCTRS expenditure was £305,000 less than the budget. Going forward we assume neutral changes to the caseload as, whilst unemployment is decreasing, a major employer reducing staff significantly, ceasing to trade or relocating is difficult to predict.
- 3.5 The recovery in respect of the changes to other discounts, as detailed in Appendix A has also performed at estimated levels. Collection in respect of second homes has been particularly successful. The effect of withdrawing the 5% discount on second homes, like many other authorities, is also shown.

4. Financial and resource implications

- 4.1 Forest Heath 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 Department of Communities and Local Government that this amount will not be separately identifiable going forward. Forest Heath is anticipating, based on our provisional 2015/2016 settlement figure, 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. The impact of the 2015/2016 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 2015/2016 budget setting process.

5. Proposals for 2015/16 LCTR scheme

- 5.1 Based on the overall findings of the first year review outlined above in sections 2 and 3, and the monitoring information for 2014/15 contained at Appendix A, the recommendation is to continue the LCTR scheme in its current form, including applying the current 2014/2015 level of applicable amounts #within the LCTRS, for 2015/2016.

#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 2015/16 technical changes

- 6.1 Based on the overall findings of the first year review outlined above in sections 2 and 3, and the monitoring information for 2014/15 contained at Appendix A, the recommendation is to:
- Remove the current 5% discount for second home owners to bring us in line with many other ARP partners: and
 - to continue the empty homes technical changes as per the current years 2014/15 scheme

Table 2

Discounts/exemptions	2015/16
Class A, empty, unfurnished and undergoing major repairs to render habitable (formally exempt Class A)	30% discount for a twelve month period
Empty, substantially unfurnished properties (formally exempt Class C)	One month exemption only 100%
Second homes	Proposal to 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).