

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

<b>To: Strategy Committee</b>	<b>Report Number: N80</b>
<b>From: Head of Corporate Resources</b>	<b>Date of meetings: 21 November 2013</b>

### LOCAL COUNCIL TAX REDUCTION SCHEME AND COUNCIL TAX TECHNICAL CHANGES - 2014/15 ONWARDS

#### 1. Purpose of Report

- 1.1 To consider the position on the Local Council Tax Reduction (LCTR) Scheme and proposed changes to certain categories of exemptions from Council Tax (known as 'technical changes').

#### 2. Recommendations to Council

- 2.1 That the Council's existing 2013/14 Local Council Tax Reduction (LCTR) Scheme continues to operate from 1 April 2014.
- 2.2 That the changes to certain categories of exemptions from Council Tax as set out in section 8.9 of this report from 1 April 2014 be approved, with further consideration and final confirmation in February 2014 as part of the Budget setting process.

#### 3. Financial Implications

- 3.1 The proposed changes to exemptions will slightly increase the council taxbase. It is estimated that the proposed changes could generate additional council tax income of around £85k to £95k per Council, although most of this will go to the County Council.

#### 4. Risk Management

- 4.1 This report is most closely linked with the following Significant Business Risks:

Risk Description	Likelihood	Impact	Mitigation Measures
O3: Failure to act upon the requirements of the Welfare reform Act 2012/Funding reforms and reductions.	Unlikely	Bad	Local Council Tax Reduction Scheme for 2013/14 approved following consultation. Proposals for 2014/15 provided continuity with only minor further technical council tax changes.
O13: Failure to plan early and identify options to meet the medium term (3 year) and 2014-15 budget gap of both councils to minimise or avoid reductions in service provision.	Unlikely	Bad	Agreeing the proposals will provide certainty for the 2014/15 district and parish taxbases and some modest additional income.

## **5. Consultations**

- 5.1 No statutory consultation necessary as no changes are being proposed to the LCTR scheme. The changes to empty properties (unfurnished/uninhabitable) will be communicated to existing customers who have such properties.

## **6. Equality Analysis**

- 6.1 A full Equality Analysis was completed for the 2013/14 LCTR scheme and no further analysis is required.

## **7. Shared Service / Partnership Implications**

- 7.1 This report covers the Council Tax schemes of both Babergh and Mid Suffolk and these will be operated by the Shared Revenues Partnership under the delegation arrangements previously agreed.

## **8. Key Information**

### **Background**

- 8.1 Members will recall that the Welfare Reform Act 2012 abolished the nationally funded Council Tax Benefit scheme, and replaced it with the requirement for local billing authorities, such as Babergh and Mid Suffolk, to create and adopt a Local Council Tax Reduction (LCTR) Scheme from April 2013. Funding in 2013/14 for these local schemes is now provided through the Department for Communities and Local Government (DCLG) through a cash limited grant to local authorities, but at 90% of the previous national scheme's funded value.
- 8.2 Both councils approved the adoption of its LCTR scheme, which included passing a 5% (Mid Suffolk) and 8.5% (Babergh) council tax liability onto working age claimants. Members also approved reductions to the level of discounts and exemptions in respect of second homes and some classes of empty properties. These actions sought to address the 10% cut in funding from central government.
- 8.3 The degree of changes required/made by each authority in order to arrive at a cost neutral scheme through the LCTR scheme and the technical changes were very much dependant on the profile of each authority's claimant and housing profiles.
- 8.4 The new LCTR scheme takes the form of a discount on the council tax bill, rather than the previous council tax benefit payment onto claimants' council tax accounts. Members will recall that this change had the impact of reducing the Councils' tax bases. The changes to the levels of second homes and some empty properties, on the other hand, had the impact of slightly increasing the Councils' tax bases.

### **Review of LCTR Scheme and Council Tax exemptions**

- 8.5 Officers have reviewed the operation of the LCTR Schemes and changes to Council Tax exemptions agreed by both councils for the current year 2013/14.
- 8.6 Collecting the additional income, especially the 5% and 8.5% from working age families has not been easy but generally speaking overall collection rates are largely holding up compared to previous years.

- 8.7 Although there was a one-off transitional Government grant in 2013/14, it is not expected that any Government support will be forthcoming for 2014/15 onwards. However, cost pressures relating to an assumed increase in caseload have not arisen and are also not anticipated in 2014/15, which will compensate for this.
- 8.8 Overall, therefore, there is no need to change the LCTR scheme from April 2014 on financial grounds and it is also felt that we need a period of stability, both for the SRP and council taxpayers, as well as more time to gather further information and evidence on the impacts. This all points to leaving the scheme unchanged for at least another year.
- 8.9 In relation to Council Tax technical changes, one area where it is felt that changes should be made is on council tax payable in relation to empty unfurnished and uninhabitable properties, as follows:
- Empty Unfurnished properties (Class C exemption)  
  
Currently a 100% reduction in Council Tax applies for the first 4 weeks then full Council Tax is payable. It is proposed that this is amended to a 25% reduction for the first 3 months with Council Tax then being payable in full.
  - Uninhabitable properties (Class A exemption)  
  
Currently a 30% reduction in Council Tax applies for the first 4 weeks then full Council Tax is payable. It is proposed that this is amended slightly to a 25% reduction for the first 4 weeks with Council Tax then being payable in full.
- 8.10 The above changes will align the exemption/discount with the single persons discount and result in a degree of further consistency as well as help to some extent with avoidance. Further consideration will be given to this during the Budget setting proposals and Members will be asked to make a final decision when setting the Budget in February 2014.

## **9. Appendices**

None.

## **10. Background Documents**

None.

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