

**LOCAL COUNCIL TAX REDUCTION SCHEME AND BUSINESS RATES
DISCRETIONARY POLICY REVIEW 2020**

Committee: Finance and Assets Committee

Date: 26th November 2020

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1. ISSUE

1.1 Each year the Council is required to review its Local Council Tax Support Reduction Scheme (LCTRS). This report advises of the 2020 annual review and that for Business Rate discretionary reliefs.

2. RECOMMENDATION

2.1 Committee is asked to recommend to Full Council

- That the Council retain the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5% for the 2021/22 financial year.
- That Council's policies with regard to discretionary Business Rate reliefs also remain unchanged for 2021/22.

3. BACKGROUND

Local Council Tax Reduction Scheme

3.1 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme for the forthcoming year this must be decided by 11 March.

3.2 Where Councils seek to amend their Scheme, it is necessary to consult preceptors and stakeholders along with a consultation to inform a final scheme design by 28 February.

3.3 We are now in the eighth year of LCTRS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013.

3.4 In 2013/14 the Council took advantage of a one-off Government grant that compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was the 91.5%.

3.5 For 2014/2015 to 2017/18 the Council retained the original scheme, except that allowances and premiums (the amounts of income from state-administered

benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit.

- 3.6 For the 2018/19 scheme the Council consulted on a proposal to harmonise the scheme to Department for Work and Pensions (DWP) welfare reforms introduced for Housing Benefit and LCTRS for Pensioners, and introduced closer links to Universal Credit data share for claims, thereby removing the requirement to make separate claims. This was subsequently approved and introduced.
- 3.7 For 2019/20 the Council kept the same scheme as for 2018/19.
- 3.8 For 2020/21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 per month) was introduced to reduce the number of monthly reassessments impacting residents every time a revised Universal Credit notification is received.
- 3.9 The current East Cambridgeshire District Council's LCTRS scheme therefore provides a maximum benefit of 91.5% for working age claimants and the scheme also fully protects War Pensioners. The aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage residents back into work whilst setting the amount charged at an affordable and recoverable level during the year.

4. ARGUMENTS / CONCLUSIONS

- 4.1 Whilst it is relatively new, early results demonstrate the fluctuating earnings rule introduced in April 2020 is meeting our modelling forecasts by reducing resident reassessments by a third.
- 4.2 Universal Credit (UC) is designed to be paid monthly, calculated on the resident's circumstances, including Real Time Information (RTI) earnings data from HMRC. Given resident's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.
- 4.3 Council Tax Support scheme rules had required the Council to revise awards when a resident's UC changes, leading to reassessment of Council Tax Support. In turn this meant residents received a revised Council Tax bill for the balance due for the year and had to amend their payment arrangements, typically direct debit instructions. Increasingly, this became a monthly occurrence for residents.
- 4.4 The introduction of a fluctuating earnings rules this year has been particularly beneficial given the significant increase in COVID-19 workload, peaking at a 500% increase compared to the same point last year, although this is now starting to return to normal levels.
- 4.5 Further, the links we established to UC data share and removing the requirement for residents to make a separate claim application, has been particularly beneficial for residents during the pandemic.

4.6 It is recommended a full review, taking into account COVID-19 learning, is undertaken early next year to develop a range of options for consideration and possible consultation.

4.7 Other options considered but discounted:

Increasing the contribution rate to more than 8.5%; the possible increase in Council Tax collected for the Council is considered to be less than the additional costs of recovery (additional staff, postage and enquires to customer services), including the inability to recover the debt in year by deduction from DWP benefits and therefore this is not recommended.

4.8 **Business Rates**

4.9 Officers have considered if any changes should be made to the Council's policy with regard to Business Rate discretionary reliefs, but at this point, no changes are recommended.

4.10 Members will be aware that Government have provided 100% Business Rate relief for businesses in the retail, hospitality and leisure sectors and non-local authority child care providers during 2020/21. These reliefs have been given using the local authority discretionary relief powers (as defined in section 47 of the Local Government Act 1988 (as amended)).

4.11 It is unknown at this point, if Government will wish to provide a similar support package for 2021/22.

5. REASONS FOR RECOMMENDATION

5.1 The changes made to the current scheme have worked well – introducing a tolerance rule for the treatment of UC awards has reduced the number of notifications residents receive to amend their Council Tax payments, providing stability for resident repayments whilst reducing contacts.

5.2 Given the economic impact of COVID-19 on household budgets and rising unemployment, it is not recommended to change the contribution rate this year.

5.3 Maintaining the existing scheme will bring stability to resident's household budgets as they recover or manage the impact of COVID-19.

6. FINANCIAL IMPLICATIONS / EQUALITY / CARBON IMPACT ASSESSMENT

6.1 The recommendations in this paper will not have a material impact on the Council Tax and Business Rates collected by the Council, this as the recommendation is to leave both schemes unchanged.

6.2 The existing LCTRS scheme continues the DWP's previous Council Tax Benefit scheme conventions established over many years, regarding protections for vulnerable groups, including children, the disabled and the Armed Forces.

6.3 Equality Impact Assessment (INRA) is not required.

6.4 Carbon Impact Assessment (CIA) is not required.

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
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