

TITLE: LOCAL COUNCIL TAX REDUCTION SCHEME 2019-20 REVIEW

Committee: Finance and Assets Committee

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[U121]

1. ISSUE

1.1 Each year the Council is required to consider whether to review its Local Council Tax Reduction Scheme (LCTRS). This report advises Committee about the conclusion of the 2019 annual review undertaken by ARP, and the resultant proposals for consultation for changes to the LCTRS scheme to take effect from April 2020.

2. RECOMMENDATION

2.1 It is recommended that Committee approve:

2.2 That Council undertakes a statutory consultation on the LCTRS for 2020/21 based on retaining the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5% and introducing a tolerance rule for the treatment of Universal Credit (UC) awards.

2.3 To report back to Committee at the end of the consultation period.

3. BACKGROUND

3.1 The Government replaced Council Tax Benefit with a LCTRS from the 1st April 2013.

3.2 The aim of this change was

- To transfer the system to local control
- To make savings
- To protect vulnerable people
- To support work incentives for claimants created by the Government's wider welfare reform.

3.3 Prior to April 2013, 100% of Council Tax Benefit was funded through Benefit subsidy and the funding was based upon actual expenditure in a year.

3.4 This meant that East Cambridgeshire had to decide upon a local means tested scheme to replace Council Tax Benefit for Working Age residents as the Government prescribe a national Scheme for Pensioners.

- 3.5 East Cambridgeshire made use of the new powers to increase Council Tax income and also passed some of the shortfall in LCTRS funding on to working age LCTRS recipients (pensioners were protected from any changes by the Government) with the intention of making the scheme cost neutral to the Councils.
- 3.5 Belatedly the Government offered a small amount of additional transitional funding to Councils who limited the reduction in LCTRS, when compared to Council Tax Benefit, to 8.5% or less.
- 3.6 The Council received a one-off Government grant that partly compensated for the reduction in Government funding during 2013-14, which meant that the maximum LCTRS awarded was the amount calculated, less 8.5% (Pensioners are protected by legislation and receive up to 100% LCTRS).

4. CURRENT POSITION

- 4.1 East Cambridgeshire initially developed a scheme that mirrored the previous Council Tax Benefit rules. The scheme pays maximum benefit of 91.5% for working age claimants, and otherwise is, in most areas, the same as the default prescribed LCTRS scheme applied to pensioners. It should be noted the old Council Tax Benefit scheme and rules complied with protections for vulnerable groups, including the disabled, to mitigate the effects of child poverty, duty to prevent homelessness as well as the Equality Duty.

5. ARGUMENTS / CONCLUSIONS

Behavioural and Administrative impacts

- 5.1 The Council's aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage customers back in to work whilst setting the amount charged at an affordable and recoverable level.
- 5.2 By setting the amount payable at 8.5% of the charge, in most cases, where a customer is not paying we can affect recovery through attachment to benefit within a year and so, the charge with costs is recoverable. If the amount payable was much higher, then 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.

Matters to consider

- 5.3 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 11 March of the preceding financial year.
- 5.4 Where Councils seek to amend their scheme it will be necessary to consult preceptors and stakeholders prior to a wider consultation to inform a final

scheme design by 28 February of the preceding financial year. Therefore work on any amendments needs to start in the summer to allow sufficient time to consult, approve and implement changes prior to 28 February 2020.

- 5.5 Proposals for change will need to be considered and determined by Members to inform the public consultation process. The results of which will be presented to Committee to consider final scheme revisions.

Scheme review - options to consider

- 5.6 Claims dependent upon Universal Credit (UC) have become increasingly apparent since the Council entered the UC full service during summer 2018, whereby the significant majority of new claims now go through UC and are received by the ARP through the Universal Credit Data Sharing hub (UCDS).
- 5.7 UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HMRC every month. Given customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.
- 5.8 The existing Council Tax Support scheme rules require the Council to revise awards when a customer's Universal Credit changes leading to reassessment of Council Tax Support. In turn this means customers receive a revised Council Tax bill for balance due for the year and have to amend their payment arrangements, typically direct debit instructions. Increasingly, this can be a monthly occurrence for customers.
- 5.9 We have seen an increase in customer contact regarding these notifications because customers are unsure as to what they have to pay due to the requirement to re-profile their Council Tax payments on receipt of UCDS files on a monthly basis. The uncertainty caused toward the customer also has an impact on Council Tax collection, as well as increased administration costs associated with producing additional notification letters.
- 5.10 Within the Anglia Revenues Partnership, Waveney (East Suffolk) has been in the UC full service the longest, where we have seen a 72% increase in revised UC awards sent to the Council. Over time we expect this pattern to continue and increase for East Cambridgeshire and the other partner Councils.
- 5.11 To ease the burden on the customer and the Council we recommend a tolerance rule is introduced into the Council's scheme. This would have the effect of freezing a customer's assessment when a revised UCDS notification would otherwise trigger a reassessment. UCDS changes notified above the tolerance level would be processed as usual, whereas changes within the tolerance level would not be updated, no correspondence issued to the customer, and without amendment to Council Tax repayments.

5.12 We have analysed UCDS award notifications for the past three months. The table below shows the level of reduction in reassessments for changes in UC banded in £5 increments, were a tolerance rule to be applied:

	£5	£10	£15	£20	£25
reduction in reassessments	14%	21%	32%	32%	36%

5.13 It is recommend a weekly tolerance level of £15 (£65 monthly) be applied, to achieve a 32% reduction in revised Council Tax adjustments. We consider a £10, 21% reduction to be less effective, whilst there is little to gain by increasing the tolerance level further. Setting the tolerance level at £15 equates to less than two hours employment at national minimum hourly rates.

5.14 A relatively small tolerance level will ensure smoothing of customer's fluctuating UC awards and will not disadvantage those customers receiving greater or occasional beneficial changes.

5.15 It should be noted where customers circumstances noticeably change, for example when employment ceases, the tolerance rule will not apply, given the change will be greater than £15 per week. In these circumstances the customer's Council Tax Support will be immediately adjusted to provide extra benefit.

5.16 It is also recommended that the changes to the Council Tax Support Scheme include discretion to reassess entitlement where a reduction in earnings occurs and it is clear that this level of earnings have and will be likely to continue at a lower level.

5.17 In looking at how a tolerance would apply, a typical case would currently have 12 monthly reassessments and 12 amended Council Tax bills during the year. However, with a tolerance rule a typical customer will only have 4 monthly reassessments and the weekly difference in support would be £0.27p per week.

5.18 We are working with our software supplier to introduce additional functionality to enable a tolerance rule, along with automation of these assessments.

5.19 Should Committee agree the principle of introducing a tolerance rule, the Council will undertake a formal public consultation to amend the scheme for 2020/21 over the coming months.

5.20 Consultation responses will be reported to Committee and Full Council as necessary to conclude the review in time for 28th February 2020, or by 11th March 2020 if continuing with the existing scheme.

Other options considered but discounted

5.21 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.

REASONS FOR RECOMMENDATION

- 5.22 The changes made to the current scheme have worked well – introducing a tolerance rule for the treatment of UC awards will reduce the number of notifications customers receive to amend their Council Tax payments, and provide stability for customer repayments whilst reducing customer contact.

Conclusion

- 5.23 Adopt the options detailed in paragraphs 5.6 to 5.20 above to inform the consultation with preceptors and the public.

6.0 Financial Implications

- 6.1 The recommendation in this paper is not expected to have a material impact on the Council Tax collected by the Council.

Equality

- 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 likely to be required.

7 APPENDICES

None.

Background Documents

Location

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