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**LOCAL COUNCIL TAX REDUCTION SCHEME 2018-19 REVIEW**

Committee: Resources and Finance Committee

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1. ISSUE

- 1.1 Each year the Council is required to review its Local Council Tax Reduction Support Scheme (LCTRS). This report advises Committee about the findings of the 2017 annual review and the resultant proposals for the LCTRS scheme to take effect from 1 April 2018.

2. RECOMMENDATION

- 2.1 Committee is asked to recommend:
- 2.2 The Council retain the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5%.
- 2.3 To harmonise the scheme with DWP Welfare Reforms and make entitlement to LCTRS, to the most part, conditional upon Universal Credit entitlement.
- 2.4 The Council undertakes the statutory consultation on the LCTRS for 2018/19 based on the recommendations above and 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 1<sup>st</sup> 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.
- 3.3 100% of Council Tax Benefit was funded through Benefit subsidy prior to April 2013 and the funding was based upon actual expenditure in a year. The funding of LCTRS was based upon 90% of the 2012/13 subsidy awards and does not vary if caseloads or expenditure rises in subsequent years. On the

other hand if caseloads reduce then funding will not decrease in the year expenditure reduces.

- 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).
- 3.7 We are now in the fifth year of LCTRS. Since 2013/14 the Council has retained the same scheme, determining annually not to change the scheme.

#### 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, previously 100%, 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 (see Appendix B 'vulnerable People key Local Authority duties').
- 4.2 East Cambridgeshire further determined to protect War Pensioners and other payments within the Armed Forces Covenant from the reduction in maximum benefit (this means that these groups can still claim a 100% discount).

#### 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.
- 5.3 The New Policy Institute (supported by the Joseph Rowntree Foundation) released a report highlighting that nationally Council Tax arrears have risen by 13%, particularly for Councils requiring customers to pay more than 8.5%, whilst Councils who retained a 100% scheme have seen a decrease in uncollected tax. The report further suggests that where Council schemes have resulted in higher charges being passed on to customers, the volume of calls, reminders and summons are also at higher levels, resulting in an increased cost of recovery and recovery in a year becoming more difficult with more customer defaults. (See Appendix C 'Have cuts to Council Tax Support in England led to rising Council Tax arrears?').

#### **Matters to consider**

- 5.4 Councils are required to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 28<sup>th</sup> February of the preceding year – the budget setting process provides for such a determination.
- 5.5 Where Councils seek to amend their scheme it is necessary to consult preceptors and stakeholders prior to a public consultation of between 2 and 12 weeks in order to inform final scheme design by 31<sup>st</sup> January of the preceding year.
- 5.6 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**

- 5.7 Table B at Appendix A details options to consider:
- 5.8 The Benefit rates used in the Scheme have not been up-rated in line with the Prescribed Scheme for Pensioners or Housing Benefit since 2013. The cost to the District is small; it should be noted that Benefit rates only require up-rating to 2015 rates, as Government determined to freeze rates at 2015 values in 2016 for four years.
- 5.9 Harmonise the Scheme to the DWP Welfare Reforms introduced in the Prescribed Scheme for Pensioners and Housing Benefit. These measures include restricting new claims to two children, removing the family premium and changes to the entitlement rules for persons from abroad. Due to the fluctuating nature and volume of these cases we cannot predict the impact

although we believe it to be small. Such changes will align administration and enable a consistent customer service.

- 5.10 Introduce links to the award of Universal Credit (UC); the Council shall be in the UC Full Service from May 2018, meaning all new claims will be affected during 2018/19. The present scheme takes into account the award of UC in a similar way to other DWP Benefits. The proposal is to make LCTRS entitlement conditional upon UC entitlement, thereby removing the requirement to make a separate application.
- 5.11 Those customers not claiming UC who are entitled to do so will be supported to make a claim. Customers not entitled to UC due to their financial circumstances will be in a similar position to existing customers whose income exceeds entitlement to LCTRS. Thus, the Council will continue to support customers in work on a low income using existing DWP calculation rates – the support will be tapered, eventually ceasing, once income exceeds DWP levels.
- 5.12 It is proposed that East Cambridgeshire determine additional classes of applicant who will not be required to satisfy the UC entitlement requirement, these being; War Pensioners and customers receiving Armed Forces payments.

#### **Other options considered but discounted**

- 5.13 Restricting maximum Council Tax band used to assess entitlement to Band D would affect a small number of customers relative to the gain for the Council. (There is no current band restriction.)
- 5.14 Restricting savings cap from £16,000 to £6,000 would also affect a small number of customers some of whom are likely to re-qualify once their savings reduce.
- 5.15 Increasing customer 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 recovery staff, postage and enquiries to customer services), including the inability to recover the debt in year by deduction from DWP benefits. Such an approach will have a negative impact on Council Tax collection as detailed in the findings at Appendixes C & D.

#### **Conclusion**

- 5.16 Adopt the options detailed in paragraphs 5.8 to 5.12 above to inform the consultation with preceptors and the public.

## 6 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

### **Financial**

- 6.1 The recommendation in this paper will have a marginal impact on the Council Tax collected by the Council, but as the recommendation is to leave the non-relief discount at 8.5% this is not considered significant.

### **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) not required.

## 7 APPENDICES

Appendix A – Council Tax collection rates and cost of scheme options

Appendix B – Vulnerable People - key local authority duties

Appendix C – Have cuts to Council Tax Support in England led to rising council tax arrears

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### Background Documents

### Location

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