



FULL COUNCIL

Wednesday, 25 November 2020

REVIEW OF THE LOCAL COUNCIL TAX REDUCTION SCHEME FOR 2021/22

EXECUTIVE SUMMARY

1. Each year the Council is required to consider whether to review its Local Council Tax Reduction Scheme (LCTRS). This report advises Full Council of the 2020 annual review and proposes to maintain the current scheme for 2021/22.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards in East Suffolk
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Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources
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Supporting Officers:	Brian Mew Finance Consultant 01394 444571 brian.mew@eastssuffolk.gov.uk Adrian Mills Benefits and Billing Strategic Manager ARP 01842 756491 adrian.mills@angliarevenues.gov.uk
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1 INTRODUCTION

- 1.1 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 11th March of the preceding year.
- 1.2 Where Councils seek to amend their scheme, it is necessary to consult preceptors and stakeholders prior to a wider consultation to inform a final scheme design by 28th February of the preceding year.

2 CURRENT POSITION

- 2.1 This is now the eighth year of LCTRS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013. In 2013/14 a one-off Government grant compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was 91.5%. This scheme, adopted by both Suffolk Coastal and Waveney District Councils, has basically been maintained since, and the current East Suffolk LCTRS scheme provides a maximum benefit of 91.5% for working age claimants and the scheme also protects War Pensioners. The aim in designing the scheme was to achieve a balance in charging an amount of Council Tax to encourage customers back into work whilst setting the amount charged at an affordable and recoverable level.
- 2.2 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 set higher, then it is possible the debt would not be recoverable and possibly create a culture of non-payment of Council Tax.
- 2.3 For 2014/2015 to 2017/18 the original scheme was retained, 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.
- 2.4 For the 2018/19 scheme there was a consultation on a proposal to harmonise the scheme to DWP welfare reforms introduced for Housing Benefit and LCTRS for Pensioners, and introduce closer links to Universal Credit data share for claims, thereby removing the stipulation to make a separate claim. This was subsequently approved and introduced.
- 2.5 For 2019/20, East Suffolk Council kept the same scheme as its predecessor councils had operated for 2018/19.
- 2.6 For 2020/21 the only change, after consultation, was to introduce a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received.

3 SCHEME REVIEW

- 3.1 Early results demonstrate that the fluctuating earnings rule introduced in April 2020 is meeting modelling forecasts by reducing customer reassessments by a third.
- 3.2 UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HMRC. Given that customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.
- 3.3 Council Tax Support scheme rules had required the Council to revise awards when a customer's Universal Credit changes, leading to reassessment of Council Tax Support. In turn this meant customers 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 customers.

- 3.4 The introduction of a fluctuating earnings rules and the links established to UC data share and removing the requirement for customers to make a separate claim application, have been particularly beneficial for customers during the pandemic this year, given the significant increase in workload.

4 COUNCIL TAX HARDSHIP FUND

- 4.1 The Government has allocated £500m to authorities to administer a Council Tax Hardship Fund. ESC's allocation of this is £1.917m, and this was received on 3rd April 2020. This funding is used to reduce the council tax liability of working age Local Council Tax Reduction Scheme (LCTRS) claimants by a maximum of £150. Where a taxpayer's liability for 2020/21 is, following the application of council tax support, less than £150, then their liability is reduced to nil. Although linked to LCTRS, these reductions to council tax do not form part of the LCTRS and the cost of this scheme will be transferred from the Collection Fund to General Fund at the end of the financial year
- 4.2 As at 30th September 2020, 11,916 working-age LCTRS recipients have been re-billed with a hardship fund discount applied to their council tax liability, and the Council has applied around 69% of its funding allocation. Any funding remaining after existing and new LCTRS claimants are funded could be used to provide further reliefs at the authority's discretion. However, there is concern that the funding allocation may be insufficient if LCTRS claims spike upwards for the second half of the year as furlough and job support schemes unwind, and caseload will need to be carefully monitored before any proposals for this could be brought forward.
- 4.3 By covering the amount of the council tax that LCTRS claimants are required to pay, the Hardship Fund has improved the collection position for existing claimants. However, for new claimants the award of LCTRS relief for the council tax not covered by this will impact on the council tax collection fund position and potentially the council tax base if the increase in caseload is forecast to continue into 2021/22.
- 4.4 It is not known at this stage as to whether the Hardship Fund arrangements will be extended into next year, although the Council and other local authorities are lobbying strongly. There are concerns that if this measure is not extended, then collection rates will be affected as the Council will be seeking to collect council tax from claimants who, in some cases will not have paid council tax for over a year.
- 4.5 Against this uncertain background, it is not proposed that there be any changes to the LCTRS for 2021/22. It is proposed that 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.

5 CONSULTATION

- 5.1 As no changes are proposed to the scheme, no formal consultation has been required.

6 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

- 6.1 The LCTRS provides important support to people in East Suffolk, directly contributing to the key theme of Enabling Communities. The changes introduced in April 2020 are reducing customer notifications and contact; eliminating continuous changes to the benefits they

receive through stable council tax repayment arrangements; and making their financial position much more stable.

7 FINANCIAL AND GOVERNANCE IMPLICATIONS

7.1 None arising directly from this report.

8 OTHER KEY ISSUES

8.1 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. An Equality impact Assessment (EIA) is not required where no changes are proposed to the scheme.

9 OTHER OPTIONS CONSIDERED

9.1 A more significant policy option would be to consider increasing the contribution rate to more than 8.5%. However, the possible increase in Council Tax collected for the Council resulting from this 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. In addition, not only is this not considered to be appropriate in the light of the COVID-19 pandemic, there is also currently uncertainty as to whether these contributions might in any event be covered by extension of the Council Tax Hardship Fund.

10 REASON FOR RECOMMENDATION

10.1 The required annual review of the LCTRS has been completed and no changes are proposed.

10.2 The Cabinet considered this matter on 3 November 2020 and Cabinet recommended that Full Council retains the current Scheme for 2020/21.

RECOMMENDATION

That the Council retains the current Local Council Tax Reduction Scheme for 2020/21 as the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5%.

APPENDICES – none

BACKGROUND PAPERS – none