



## FULL COUNCIL

Wednesday 22 January 2020

### REVIEW OF THE LOCAL COUNCIL TAX REDUCTION SCHEME FOR 2020/21

#### EXECUTIVE SUMMARY

Each year the Council is required to consider whether to review its Local Council Tax Reduction Scheme (LCTRS). This report advises Cabinet about the findings of the 2019 annual review; the consultation on these findings; and the resultant proposals for changes to the LCTRS scheme to take effect from April 2020.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in East Suffolk
<b>Cabinet Members:</b>	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources  Councillor Maurice Cook Assistant Cabinet Member for Resources
<b>Supporting Officers:</b>	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 <a href="mailto:simon.taylor@eastssuffolk.gov.uk">simon.taylor@eastssuffolk.gov.uk</a>  Brian Mew Finance Consultant 01394 444571 <a href="mailto:brian.mew@eastssuffolk.gov.uk">brian.mew@eastssuffolk.gov.uk</a>  Adrian Mills Benefits and Billing Strategic Manager ARP 01842 756491 <a href="mailto:adrian.mills@angliarevenues.gov.uk">adrian.mills@angliarevenues.gov.uk</a>

## **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 11<sup>th</sup> 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 28<sup>th</sup> February of the preceding year.

## **2 CURRENT POSITION**

- 2.1 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 The Shadow Council approved retaining the existing scheme for 2019/20 in February 2019.

## **3 SCHEME REVIEW – OPTIONS TO CONSIDER**

- 3.1 Claims dependent upon Universal Credit (UC) have become increasingly apparent since the Council entered the UC full service during summer 2018, whereby most new claims now go through UC and are received by ARP through the Universal Credit Data Sharing hub (UCDS).
- 3.2 UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HMRC every month. As customers' circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards being sent to the Council by the DWP.
- 3.3 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. This means customers receive a revised Council Tax bill for the 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.
- 3.4 There has been an increase in customer contact regarding these notifications because customers are unsure as to what they must pay due to the requirement to re-profile their Council Tax payments on receipt of UCDS files on a monthly basis. This uncertainty has an impact on Council Tax collection, as well as increased administration costs and postage associated with producing additional notification letters.
- 3.5 Within the Anglia Revenues Partnership, the former Waveney District Council, now part of East Suffolk Council, has been in the UC Full Service the longest, since May 2016, and there has been a 72% increase in revised UC awards sent to the Council. Over time this pattern is expected to continue and increase for all the partner Councils, given that full service has been rolled out nationally and UC is set to expand.
- 3.6 To ease the burden on the customer, it is recommended that 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. Changes within the tolerance level would not be updated, no correspondence issued to the customer, and no amendment made to Council Tax repayments.

- 3.7 UCDS award notifications have been analysed over a three-month period. 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:

	£5.00	£10.00	£15.00	£20.00	£25.00
Reduction in reassessments	14%	21%	32%	32%	36%

- 3.8 A weekly tolerance level of £15 (£65 monthly) is recommended to achieve a 32% reduction in revised Council Tax adjustments. A £10, 21% reduction is considered to be less effective, whilst there is little to gain by increasing the tolerance level. Setting the tolerance level at £15 equates to less than two hours employment at national minimum hourly rates.
- 3.9 A relatively small tolerance level will ensure smoothing of customers' fluctuating UC awards and will not disadvantage those customers receiving greater or occasional beneficial changes.
- 3.10 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.
- 3.11 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.
- 3.12 The table below illustrates the effect on a sample of seven cases of the introduction of a £15 weekly tolerance level in terms of both the number of re-assessments required and the difference in CTRS awards during the year. 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.

	Number of Re-assessments		Difference in CTRS pa
	Current	£15 pw tolerance	
Case 1	12	8	£9.67
Case 2	9	3	£13.86
Case 3	9	6	(£24.21)
Case 4	9	5	(£7.62)
Case 5	12	0	(£2.76)
Case 6	6	4	(£12.99)
Case 7	8	7	£0.00

- 3.13 Work is ongoing with our software supplier to introduce additional functionality to enable a tolerance rule, along with automation of these assessments.

## 4 CONSULTATION

- 4.1 The consultation commenced Monday 23rd September 2019 and concluded on Sunday 3rd November 2019. As the changes proposed were relatively small, a six-week consultation was considered appropriate. The proposal consulted on was to introduce a tolerance rule to the treatment of some Universal Credit (UC) monthly awards, to

provide stability to customers who are having to alter their Council Tax repayments. The consultation paper is attached as Appendix A.

- 4.2 The Consultation was available on the Council's website and the Anglia Revenues Partnership website. In addition, in an attempt to get as much interest as possible, everyone on the Council's Register of Consultees that had expressed an interest in 'corporate issues' and the consultees on a list provided by ARP, were notified directly as to where to find the consultation document. The consultation was further discussed at a Benefits Stakeholder liaison meeting held by the Anglia Revenues Partnership at Thetford on the 7th October 2019 and a separate letter sent to major Preceptors.
- 4.3 Stakeholders at the liaison meeting did not express any concerns with the proposed change, and we have not received any direct responses.
- 4.4 Suffolk County Council and Suffolk Fire & Rescue Service both responded stating that proposed changes looked sensible.
- 4.5 Eleven responses were received to the wider consultation, all from individuals except one from a Parish Council. Nine (82%) of the eleven responses supported the proposed change, with one disagreeing and one not sure. Seven respondents agreed that a £15 weekly tolerance level would be right, three disagreeing and one not responding. Eight respondents agreed East Suffolk should have discretion to review cases where a single change during the year disadvantages the customer; one felt there should not be such provision. Ten of the respondents live in the East Suffolk area, whilst ten state they do not receive Universal Credit, nor have they claimed, with one respondent preferring not to say.

The consultation exercise resulted in a positive response to the changes proposed and, on this basis, Cabinet are asked to recommend to Full Council at its meeting on 22nd January 2019 to adopt the changes detailed in paragraph 4.1.

## **5 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?**

- 5.1 The proposals in this report will assist claimants in East Suffolk district through 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.

## **6 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 6.1 As referred to in section 3.12, the modelling shows for a typical claimant, the smoothing over a 12 months period results in a £0.27 difference per week, and therefore the financial implications for the Council are minimal.

## **7 OTHER KEY ISSUES**

- 7.1 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. The changes proposed are relatively minor and consequently, it is not considered that an Equality impact Assessment (EIA) is required.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 A more significant policy option would be to consider increasing the contribution rate to more than 8.5%. 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 and therefore this is not recommended.

- 8.2 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.

## **9 REASON FOR RECOMMENDATION**

- 9.1 The Council has completed its annual review of the LCTR scheme it operates and has identified improvements that will both help claimants and the Council reduce the amount of administration and improve clarity within the current scheme.

### **RECOMMENDATIONS**

1. 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%.
2. That the Council introduces a tolerance to the treatment of Universal Credit income in the Local Council Tax Reduction Scheme, as detailed in this report.

### **APPENDICES**

<b>Appendix A</b>	LCTRS Consultation Document
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### **BACKGROUND PAPERS – None**