

COUNCIL

Wednesday, 24 January 2018

LOCAL COUNCIL TAX REDUCTION SCHEME FOR 2018/19 (REP1740)

EXECUTIVE SUMMARY

1. Each year the Council is required to review its Local Council Tax Reduction Scheme (LCTRS). This report advises Cabinet about the conclusion of the 2017 annual review and the resultant proposals for the LCTRS scheme to take effect from 1st April 2018.
2. We are now in the fifth year of LCTRS; a locally set scheme that replaced nationally set Council Tax Benefits (CTB) scheme from April 2013. This meant that Waveney 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. In 2013-14 the Council received a one-off Government grant that partly compensated for the reduction in Government funding that year. This 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. Since 2013/14 the Council has retained the same scheme, determining annually not to change the scheme.

Is the report Open or Exempt?	Open
Wards Affected:	All Wards within the District
Cabinet Member:	Councillor Bruce Provan Cabinet Member for Resources
Supporting Officer:	Homira Javadi Chief Finance Officer 01394 444570 homira.javadi@eastsoffolk.gov.uk

1 INTRODUCTION

- 1.1 The government replaced Council Tax Benefit with a Local Council Tax Reduction Scheme (LCTRS) from the 1st April 2013.
- 1.2 The aim of this change was to:
 - transfer the system to local control;
 - make savings;
 - protect vulnerable people; and
 - support work incentives for claimants created by the Government wider welfare reform.
- 1.3 100% 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.
- 1.4 Waveney 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 Council.
- 1.5 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.

2 CURRENT POSITION

- 2.1 Waveney 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').
- 2.2 Waveney qualified for the additional funding detailed at 1.5 above in 2013/14, however the funding has not been offered again. Waveney protected War Pensioners and other payments within the Armed Forces Covenant from the reduction in maximum benefit and also removed Second Adult Rebate for working age claimants from our schemes.

3 SCHEME REVIEW – PROPOSED CHANGES TO THE SCHEME

- 3.1 It is proposed to retain the 8.5% payable amount to ensure individuals are not adversely impacted and this allows the Council to continue recovery of arrears by way of attachment to DWP benefits.
- 3.2 The Benefit rates (known as applicable amounts) used in the Scheme have not been updated in line with the Prescribed Scheme for Pensioners on Housing Benefit since 2013. The cost to the District is small; it should be noted that Benefit rates only require updating to 2015 rates, as Government determined to freeze rates at 2015 values in 2016 for four years.

- 3.3 The impact of the first two proposals, keeping the 8.5% scheme and uprating applicable amounts to 2015 rates will have an adverse impact of £225.00 shared between all major precepting authorities, as can be seen in Table B of Appendix A (first item).
- 3.4 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. As mentioned above, this will only affect new claims from 1st April 2018 and not affect current claimants, unless they come off benefits and then have to reapply at a later date.
- 3.5 Introduce links to the award of Universal Credit (UC); meaning all new claims will be affected from 1st April 2018. 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.
- 3.6 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. 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.

4 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

- 4.1 The Council has a statutory responsibility to levy a council tax charge to fund services it provides, along with designing a LCTRS scheme. The East Suffolk Business Plan requires the Council to become Financially Self Sufficient and through the proposed scheme, the Council aims to minimise the impact of council tax payers and ensure the Council is able to recover council tax arrears through attachment to DWP benefits.
- 4.2 The proposals in section 3 of this report are also aimed at achieving the Council's commitment to the Health and Wellbeing of the community it serves, through minimising the impact its policy changes have on the community by simplifying processes, ensuring alignment with National policy so there are not two different schemes in place and where possible minimising the financial impact these changes have.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 5.1 Table A in Appendix A to this report shows the collectible council tax for all cases that has at some point in the year received a discount (£8.504m in 2015/16 and £8.256m in 2016/17). The debit shown in Table A of Appendix A includes the whole amount charged for the year including the discounted periods (£52.526m in 2015/16 and £54.433m in 2016/17).
- 5.2 Council Tax accounts where there has been a period of LCTRS awarded show a continuing decline in collection rates (79.9% in 2015/16 and 78.6% in 2016/17). As expected, collection has partly relied upon a significant increase in arrangements to deduct Council Tax from DWP Benefits.
- 5.3 Waveney has seen a reduction in LCTRS caseload of approximately 7%. A very small number of LCTRS customers have also received Housing Benefit reductions attributed to the Welfare Reform changes since April 2013, namely the Spare Room Subsidy Restriction and the Benefit Cap, with little demand for Exceptional Hardship payments.

- 5.4 If risk is not managed and regularly reviewed then there can be significant financial risk where problems are not identified and dealt with.
- 5.5 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.
- 5.6 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.
- 5.7 The Joseph Rowntree Trust has released data concerning Council schemes where higher charges have been passed on to customers. This evidence suggests that volumes of calls, reminders and summons are still at the high levels and so the cost of recovery is higher and recovery in a year will become more difficult where customers default.
- 5.8 The New Policy Institute 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. (See Appendix C entitled 'Have cuts to Council Tax Support in England led to rising Council Tax arrears?' and Appendix D entitled 'CTS arrears findings'.

6 OTHER KEY ISSUES

- 6.1 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.

7 CONSULTATION

- 7.1 Councils are required to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 28th February of the preceding year – the budget setting process provides for such a determination.
- 7.2 Where Councils seek to amend their scheme it will be necessary to consult Preceptors and stakeholders prior to a public consultation in order to inform final scheme design by 31st January of the preceding year.
- 7.3 The Council went out to Consultation with all stakeholders, followed by a public consultation which closed on 28th November 2017.
- 7.4 Waveney received 25 responses to the consultation from approximately 56,000 households, of which approximately 10,700 are in receipt of LCTRS (this does not including stakeholders who were also consulted). The following questions were asked:

- Q1 Should the Council update the 'applicable amounts' to the 2015 rates (see paragraph 3.2 above)?
- A1 Agree 40% Disagree 60%
- Q2 Should the Council incorporate the changes in welfare since 2013 around Universal Credit (see paragraph 3.4 above)?
- A2 Agree 32% Disagree 68%

Q3 Should the Council make council tax discount dependant on Universal Credit (see paragraphs 3.5 to 3.7 above)?

A3 Agree 32% Disagree 68%

Q4 Do you believe that these changes will affect any protected group disproportionately?

A4 Yes 48% No 20% Not Sure 32%

7.5 24 of the respondents to the consultation were individual members of the public with 36% of them in receipt of Council Tax discount. 1 of the respondents to the consultation was a private landlord.

7.6 Separate responses were received from the major precepting authorities, who were supportive of the proposals.

8 OTHER OPTIONS CONSIDERED

8.1 The following are other options that have been considered but are not being recommended to Cabinet for approval due to the impact on customers, which can be seen in Table B of Appendix A.

8.2 Restricting maximum Council Tax band used to assess entitlement to Band D – effects 19 individuals at a council tax income gain of £7,098.

8.3 Restricting savings cap from £16,000 to £6,000 – effects 54 individuals whom are likely to requalify once their savings reduce at a council tax income gain of £29,472.

8.4 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 Appendices C & D. Modelling of 10%, 12.5% and 15% can be found in Table B of Appendix A.

9 REASON FOR RECOMMENDATION

9.1 The consideration of an annual review and potential proposed changes to the LCTRS scheme is a statutory requirement under the Local Government Finance Act 2012 which brought in the provisions for localisation of council tax support.

RECOMMENDATIONS

1. That Full Council approves the following from 1st April 2018:
 - the Local Council Tax Reduction Scheme remains paying maximum benefit of 91.5% for working age claimants, leaving 8.5% to be paid by the individual(s);
 - benefit rates, known as applicable amounts, are uprated to 2015 rates; and
 - the Local Council Tax Reduction Scheme is harmonised with the DWP Welfare Reforms introduced in the Prescribed Scheme for Pensioners and Housing Benefit.
2. That links to the award of Universal Credit are introduced for entitlement to the Council's Local Council Tax Reduction Scheme, removing the requirement for a separate application to be made.

APPENDICES**Appendix A**

Council Tax collection and cost of scheme options

Appendix B

Vulnerable People Key Local Authority Duties

Appendix C

Have cuts to Council Tax Support led to rising Council Tax arrears

Appendix D

Council Tax Support arrears findings NPI report

BACKGROUND PAPERS - None