

Cabinet



Title of Report:	Local Council Tax Reduction Scheme 2018/2019	
Report No:	CAB/FH/17/062	
Report to and dates:	Cabinet	12 December 2017
	Council	20 December 2017
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 07904 389982 Email: stephen.edwards@forest-heath.gov.uk	
Lead officers:	Paul Corney Head of Anglia Revenues Partnership Telephone: 01842 756437 Email: Paul.Corney@angliarevenues.gov.uk Rachael Mann Assistant Director (Resources and Performance) Telephone: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To consider and review the Local Council Tax Support Reduction Support Scheme (LCTRS) and proposals to take effect from 1 April 2018.	
Recommendation:	It is <u>RECOMMENDED</u> that Cabinet: Takes into consideration the consultation and engagement feedback detailed in section 7 of Report No: CAB/FH/17/000 and recommends to Council, the following changes to the current Local Council Tax Reduction Scheme to take effect from 1 April 2018: (a) Update the “applicable amounts” to 2015 prices as detailed in paragraph 5.1; (b) Incorporating changes that have occurred as a result of the Government’s welfare reforms as detailed in paragraph 5.2, regarding family premiums; dependence allowances where there are 2 or more children; and	

	eligibility of foreign nationals; and (c) Modernise the scheme as detailed in paragraph 5.3, so that claimants in receipt of Universal Credit don't need to make a separate application to qualify for Council Tax Discount.		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
<i>The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.</i>			
Consultation:	As detailed in the body of the report		
Alternative option(s):	As detailed in the body of the report		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As outlined in the body of the report	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Each year the Council is required to review its Local Council Tax Support Reduction Support 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 1 April 2018.	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Officers have completed an Equality Impact Assessment of the proposals. No equality concerns were raised during the consultation.	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Reduction in collection rates Council Tax collection rates could decrease over the year, reducing the scheme revenues	High	ARP closely to monitor non-payment from working age claimants.	Medium
Demand. There is a risk of a higher demand on the	High	ARP to closely monitor caseload. The major precepting	Medium

LCTR Scheme.		authorities will share the financial risks associated with LCTRS. Representatives from Forest Heath and other Suffolk billing authorities and Suffolk County Council are continuing to work together to monitor the county-wide framework.	
Hardship The changes to the scheme may create financial hardship for some claimants.	Medium	ARP to monitor impact to claimants. Exceptional hardship fund is available under the scheme.	Low
Ward(s) affected:		All wards are affected.	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		<p>Report No: COU13/610 Local Council Tax Support 2013/2014 (scheme introduction) (Extraordinary Council: 16 January 2013)</p> <p>Report No: CAB/FH/16/060 CAB/FH/16/060 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2016/17 (Cabinet: 13 December 2016)</p> <p>Background Paper A - DCLG - 'Vulnerable People Key Local Authority Duties'</p> <p>Background Paper B - New Policy Institute - 'Have cuts to Council Tax Support in England led to rising Council Tax arrears?'</p>	
Documents attached:		None	

1. Background

- 1.1 Since 1 April 2013, Forest Heath District Council has operated a Localised Council Tax Reduction Scheme (LCTRS) to replace the previous, centrally administered Council Tax Benefit (Report D224 provides further background) . Forest Heath's scheme is aimed at:
- making provision to protect vulnerable people; and
 - supporting work incentives for claimants created by the Government's wider welfare reform.
- 1.2 Forest Heath's initial scheme for 2013-14 required working age claimants to pay 8.5% more of the council tax charge than previously. This requirement has been continued over the subsequent 4 financial years, 2014-15, 2015-16, 2016-17 and 2017-18. Forest Heath also protected War Pensioners (pensioners are protected by the Government changes) from the reduction in maximum benefit and removed Second Adult Rebate for working age claimants.
- 1.3 Forest Heath developed a LCTRS 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 background paper A 'Vulnerable People Key Local Authority Duties').
- 1.4 Each year the Council is required to review its Local Council Tax Support Reduction Support Scheme (LCTRS). This report advises Cabinet about the conclusion of the 2017 annual review and the resultant proposals for the LCTRS to take effect from 1 April 2018

2 Scheme Review – Financial Impact

- 2.1 Table 1 below, shows the collectible council tax for all cases that has at some point in the year received a discount under the LCTRS, alongside the amount collected to date. The debit shown includes the whole amount charged for the year including the discounted periods. Table 1 also shows the overall council tax performance for Forest Heath and the amount collected.

Table 1. Forest Heath			
	Debit raised	CTax collected	% collected
Council Tax 2015/16	£26,276,230	£25,519,447	97.12
Council Tax 2016/17	£27,359,646	£26,549,477	97.04
LCTRS awarded 2015/16	£3,037,812		84.7
LCTRS awarded 2016/17	£2,966,663		84.1
LCTRS Caseload	April 2015 3,995	April 2016 3,838	April 2017 3,613

- 2.2 Council Tax accounts where there has been a period of LCTRS awarded show lower collection rates against those without LCTRS and the initial target of 90%. As expected collection has partly relied upon a significant increase in arrangements to deduct Council Tax from Department for Works and Pensions (DWP) Benefits.
- 2.3 Forest Heath has seen a reduction in LCTRS caseload of approximately 5%. 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.

3 Behavioural and Administrative impacts

- 3.1 The Councils 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.
- 3.2 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.
- 3.3 The Joseph Rowntree Trust have released data concerning Councils 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.
- 3.4 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 background paper B 'Have cuts to Council Tax Support in England led to rising Council Tax arrears?')

4 Setting the 2018-19 scheme

- 4.1 Councils are required to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 31st January of the preceding year.
- 4.2 Where Councils seek to amend their scheme it will be necessary to consult/engage Preceptors and stakeholders in order to inform final scheme design by 28th February of the preceding year.
- 4.3 Given the nature of the changes proposed in section 5 below (i.e. either beneficial to council tax payers, or only affecting new claimants, who are not possible to identify), it is considered that a proportionate and sensible form of engagement would be to:
- a) Write to all preceptors explaining the proposed changes; and

- b) Hold an engagement meeting with relevant stakeholder groups e.g. Citizens Advice and Poverty / disability action groups, explaining the impact of the changes and seeking their views on any unintended consequences / equality implications or possible alternatives.

5 Proposals for the 2018-19 scheme

- 5.1 **Up-rating benefit rates to 2015 rates for all claimants.** The Benefit rates used in the Scheme have not been up-rated in line with the Prescribed Scheme for Pensioners nor Housing Benefit since 2013. The cost to the District is small (under £1k, £4k for County); 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. This would impact positively on all existing claimants.
- 5.2 **Harmonise the Scheme to the DWP Welfare Reforms introduced in the Prescribed Scheme for Pensioners and Housing Benefit for new claimants.** 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.
- 5.3 **Introduce links to the award of Universal Credit (UC) for new claimants;** the Council shall be in the UC Full Service from December 2018, meaning all new claims will be affected from 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.
- 5.4 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.
- 5.5 It is proposed that Forest Heath determine additional classes of applicant who will not be required to satisfy the UC entitlement requirement, that being; War Pensioners, customers receiving Armed Forces payments and customers in receipt of Industrial Injuries Disablement Benefit, this list is not exhaustive.
- 5.6 Changes at 5.2 and 5.3 above will affect people needing to make a new claim either through change in financial circumstances or making a claim for the first time. Existing claimants will have transitional protection until specific changes in their circumstances. We expect the number of people to be effected by these changes to be proportionately small.

6 Other options considered but discounted

- 6.1 Restricting maximum Council Tax band used to assess entitlement to Band D – would affect approx. 20 customers, a small number relative to the gain for the Council (£1k for FHDC, £5k for County).

- 6.2 Restricting savings cap from £16,000 to £6,000 – would affect approx. 30 customers some of whom are likely to requalify once their savings reduce. The financial impact for the council being (£2k for FHDC, £12k for County).
- 6.3 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 background paper B.

7 Consultation and Engagement

- 7.1 The consultation and engagement process described in paragraph 4.3 started in October when ARP held a stakeholder engagement meeting and discussed the proposed changes to the scheme. At the end of October we; posted a leaflet on both the ARP and West Suffolk websites; posted the link to a short survey developed using Smart Survey; sent letters to the major preceptors: SCC and the police; directly emailed the leaflet and a link to Smart Survey to a number of stakeholders and landlords covering credit unions, drug rehabilitation centres, accommodation services, armed forces charities, disability charities and care services.
- 7.2 Stakeholders at the ARP meeting did not raise any concerns about the proposals for changes in applicable amounts and welfare reform. There was an interest with how linking universal credit applications and council tax discount will operate, but no opposition to the premise. In terms of the major preceptors, SCC and the Police had no opposition nor comments on the changes. We have had two responses from the online Smart Survey, both from stakeholders and both answering on behalf of St Edmundsbury and Forest Heath. They approved all the proposed amendments and made no additional comments.
- 7.3 Overall the results of the consultation have shown a lack of concern for the changes proposed.

8 Equality and Diversity

- 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. The impact assessment has not raised additional concerns about the impact of the proposed scheme on groups with protected characteristics.