

Shadow Executive (Cabinet)



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| Title of Report: | West Suffolk - Local Council Tax Reduction Scheme 2019/2020 | |
| Report No: | EXC/SA/18/003 | |
| Report to and dates: | Shadow Executive (Cabinet) | 10 July 2018 |
| | Shadow Council | 17 July 2018 |
| Shadow Executive (Cabinet) Members: | Stephen Edwards Tel: 07904 389982 Email: stephen.edwards@forest-heath.gov.uk | Ian Houlder Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk |
| Lead officer(s): | Rachael Mann Assistant Director (Resources and Performance) Telephone: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk | |
| Purpose of report: | To consider and review the West Suffolk Local Council Tax Reduction Scheme (LCTRS) and proposals to take effect from 1 April 2019. | |
| Recommendation: | It is <u>RECOMMENDED</u> that, subject to the approval of Shadow Council, the Shadow Executive (Cabinet) approves the West Suffolk Local Council Tax Reduction Scheme for West Suffolk to take effect from 1 April 2019 as attached at Appendix A and as detailed in Section 5 of Report No: EXC/SA/18/003. | |
| 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"/> As it is a decision of full Council. | |
| Consultation: | No changes to the current scheme are proposed for 2019/20 | |
| Alternative option(s): | As detailed in the body of the report | |
| Implications: | | |
| Are there any financial implications? If yes, please give details | Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> As outlined in the body of the report | |

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| 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 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 Reduction Scheme (LCTRS). This report advises Cabinet about the conclusion of the 2018 annual review and the resultant proposals for the LCTRS scheme to take effect from 1 April 2019. | |
| Are there any equality implications? <i>If yes, please give details</i> | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Officers have previously completed an Equality Impact Assessment for the current scheme and no equality concerns were highlighted. | |
| 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) |
| 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 LCTR Scheme. | Medium | ARP to closely monitor caseload and expenditure. The major precepting authorities will share the financial risks associated with LCTRS. Representatives from West Suffolk, other Suffolk billing authorities and Suffolk County Council are continuing to work together to monitor the county-wide framework. | Medium/Low |
| Hardship The changes to the scheme may create financial hardship for some claimants. | Low | This scheme has been in place since 2013 with limited hardship requests through the exceptional hardship fund which continues to be available under the scheme. ARP to monitor impact to claimants. | Low |
| Ward(s) affected: | | All wards | |
| Background papers: <i>(all background papers are to be published on the website and a link included)</i> | | Local Council Tax Reduction Scheme 2018/2019 <ul style="list-style-type: none"> Forest Heath DC – CAB.FH.17.062 St Edmundsbury BC – CAB.SE.17.068 | |

Documents attached:

Appendix A – West Suffolk Local Council Tax Reduction Scheme Section 13a Policy
(Note: due to the size and technical nature of this Appendix, this has not been attached to this report, but can be viewed in the electronic version of these agenda papers, via the link below:
[Shadow Executive \(Cabinet\) - 10 July 2018](#)
under Report No: EXC/SA/18/003)

1. Background

- 1.1 Since 1 April 2013, St Edmundsbury Borough Council and Forest Heath District Council have operated a Localised Council Tax Reduction Scheme (LCTRS) to replace the previous, centrally administered Council Tax Benefit (Reports SEBC D224 and FHDC COU13/610 provide further background). The West Suffolk scheme continues to be aimed at:
- making provision to protect vulnerable people; and
 - supporting work incentives for claimants created by the Government's wider welfare reform.
- 1.2 St Edmundsbury and Forest Heath's initial schemes 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 5 financial years, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19. St Edmundsbury and 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 St Edmundsbury and Forest Heath both 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 Reduction Scheme (LCTRS). This report advises Cabinet about the conclusion of the 2018 annual review and the resultant proposals for the LCTRS to take effect from 1 April 2019 under the new West Suffolk Council.

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 both Council's and the amount collected.

| Table 1. St Edmundsbury | | | |
|--------------------------------|---------------------|-----------------------|--------------------|
| | Debit raised | CTax collected | % collected |
| Council Tax 2016/17 | £56,969,268 | £55,979,435 | 98.26 |
| LCTRS awarded 2015/16 | £5,229,556 | | 84.4 |
| LCTRS awarded 2016/17 | £5,131,461 | | 84.9 |

| | | | |
|------------------------------|----------------------------|----------------------------|----------------------------|
| LCTRS awarded 2017/18 | £4,988,775 | | 82.40 |
| LCTRS Caseload | April 2016 6,366 | April 2017 6,103 | April 2018 5,808 |

| Table 2. Forest Heath | | | |
|------------------------------|----------------------------|----------------------------|----------------------------|
| | Debit raised | CTax collected | % collected |
| 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 awarded 2017/18 | £2,933,791 | | 81.0 |
| LCTRS Caseload | April 2016 3,838 | April 2017 3,613 | April 2018 3,545 |

- 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 West Suffolk Councils continue to see year on year reductions in LCTRS caseload. 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 has 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. (To report CAB/SE/16/065 and CAB/FH/16/060)

4. Setting the 2019-20 scheme

- 4.1 Councils are required to review their LCTRS schemes annually. The annual deadline for Billing authorities to set and agree their local Council Tax reduction schemes is 11 March 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 28 February of the preceding year.

5. Proposals for the 2019-20 scheme

- 5.1 Based on the overall findings of the scheme review outlined above in sections 2 and 3 of this report. The recommendation is to bring the current schemes into a new West Suffolk scheme for 2019/20 with the following areas continuing.

| Scheme Area | 2018/19 LCTRS Forest Heath | 2018/19 LCTRS St Edmundsbury | Proposed 2019/20 LCTRS West Suffolk |
|---|--|--|--|
| Working age claimants minimum contribution | 8.5% | 8.5% | 8.5% |
| Protection of war pensioners | Yes | Yes | Yes |
| Removal of 2 nd Adult rebate for working age claimants | Yes | Yes | Yes |
| Applicable amounts to determine scheme value for claimants | 2015 rates linked to annual DWP uprating | 2015 rates linked to annual DWP uprating | 2015 rates linked to annual DWP uprating |
| Harmonised with DWP welfare reforms | Yes | Yes | Yes |
| Links to the award of Universal Credit for new claimants | Yes | Yes | Yes |

- 5.2 Further details on background to each of the table descriptions can also be found in report CAB/SE/17/068 and CAB/FH/17/062.
- 5.3 An applicable amount is the amount the Government says a family needs to live on each week. When the applicable amount has been calculated it is then compared with an applicants' income to work out the Council Tax Reduction entitlement for which the applicant is eligible.
- 5.4. Due to the fact that the LCTRS is not changing from the current individual Forest Heath and St Edmundsbury schemes there is no requirement to undertake consultation.

6. Other options considered but discounted

- 6.1 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 CAB/SE/17/068 and CAB/FH/17/062.

7. Equality and Diversity

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