

# Local Council Tax Reduction Scheme (LCTRS) for 2020-21

<b>Report No:</b>	<b>CAB/WS/19/043</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	26 November 2019
	<b>Council</b>	17 December 2019
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**Decisions Plan:** **It is not a Key Decision.**

**The decision made as a result of this report will usually be published within 48 hours. This decision is not subject to call-in, as the decision is being recommended onto Council. This item is included on the Decisions Plan.**

**Wards impacted:** **All Wards**

**Recommendation:** **It is recommended that Cabinet, subject to the approval of Council, approves the West Suffolk Local Council Tax Reduction Scheme for 2020-21 at Appendix A, taking into account the proposed changes outlined in this report and consultation undertaken.**



## **1. Background / Context**

- 1.1 Each year the Council is required to consider whether to review its Local Council Tax Reduction Scheme (LCTRS). This report advises Cabinet on the conclusion of the 2019 annual review of and the resultant proposed changes, which have been consulted on, to the LCTRS scheme to take effect from 1 April 2020.
- 1.2 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined that the existing scheme should be retained without any changes, this must be decided by 11 March of the preceding year.
- 1.3 Where Councils seek to amend their schemes it will be necessary to consult preceptors and stakeholders prior to a wider consultation to inform a final scheme design by 28 February of the preceding year

## **2. Current position**

- 2.1 The current West Suffolk LCTRS scheme provides a maximum benefit of 91.5% for working age claimants and our 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 current scheme was approved by the West Suffolk Shadow Council in July 2018.

## **3. Proposals**

### **Scheme review proposal – introducing a tolerance level for customers with fluctuating wages**

- 3.1 Council Tax Support claims that are dependent upon Universal Credit (UC) have become increasingly apparent since the previous area of St Edmundsbury entered the UC full-service October 2017, followed by the previous area of Forest Heath September 2018. The significant majority of new Council Tax Support claims now go through UC and are received by the 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. Given a customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards 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. In turn this means customers receive a revised Council Tax bill for 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, where their wages and therefore Universal Credit go up and down.
- 3.4 We have seen an increase in customer contact regarding these notifications because customers are unsure as to what they have to pay due to the requirement to re-profile their Council Tax payments on receipt of UCDS files on a monthly basis. The uncertainty caused for the customer also 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, Waveney (East Suffolk) has been in the UC Full Service the longest, where we have seen a 72% increase in revised UC awards sent to the Council. Over time we expect this pattern to continue and increase for West Suffolk and the other partner Councils.
- 3.6 To ease the burden on the customer, it is recommended that a tolerance rule of +/- £15 is introduced into the West Suffolk Council scheme. This would have the effect of freezing a customer's assessment when a revised UCDS notification would otherwise trigger a reassessment. Changes in a customer's financial position of more than +/-£15 would be processed as usual, whereas changes within the tolerance level would not be updated, no correspondence issued to the customer, and without amendment to Council Tax repayments.
- 3.7 We have analysed UCDS award notifications for the past three months. 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	£10	£15	£20	£25
reduction in reassessments	14%	21%	32%	32%	36%

- 3.8 We recommend a weekly tolerance level of £15 (£65 monthly) to achieve a 32% reduction in revised Council Tax adjustments. We consider a £10, 21% reduction 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 customer's fluctuating UC awards and will not disadvantage those customers receiving greater or occasional beneficial changes.
- 3.10 It should be noted where customers circumstance 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 possible that in some cases, the actual amount of Council Tax discount payable to a customer will be slightly less under the changes proposed. However, modelling suggests this is likely to be in the order of 27p per week. On the other hand, customers will benefit from greater certainty about their finances, and less need to take action to make balance payments.
- 3.12 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 has and will be likely to continue at a lower level.
- 3.13 In looking at how a tolerance would apply; 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.
- 3.14 ARP is working with its software supplier to introduce additional functionality to enable a tolerance rule, along with automation of these assessments.
- 3.15 The changes made to the current scheme since its introduction in 2013 have worked well. The intention is that 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.

#### **4. Alternative Options**

- 4.1 Not to introduce a tolerance level, however we lose the opportunity to provide certainty to the claimant as anticipated with the scheme change proposed at section 3 above.
- 4.2 Increasing the 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 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.

#### **5. Consultation and engagement**

- 5.1 A four-week consultation took place between 15 October 2019 and 12 November 2019 on the proposed change to the scheme as set out in section 3 above.
- 5.2 The consultation took the form of an online survey, asking stakeholders for their views on the proposals and any unforeseen impacts. The link to the survey was sent to all West Suffolk members; made available on the Council and ARP websites; and sent to stakeholders working with individuals who are likely to be affected by the proposals or who represent residents with a protected characteristic, for example, CAB, debt and money management services and local disability groups.



- 5.3 One response was received in total from the online survey, from the YMCA in support for scheme, however they would have liked to see a higher tolerance level.
- 5.4 The Council discussed the proposed change at an ARP-wide liaison meeting (benefits stakeholders, welfare groups, DWP, landlords) with no objection raised and no formal responses received.
- 5.5 The Council also wrote to the major preceptors - Suffolk County Council and Suffolk Police who were both supportive, noting in particular that the proposals provides certainty in a complex process

## **6. Risks**

### **6.1 Financial**

The change proposed is not anticipated to have a significant impact on the council tax collection fund.

### **6.2 Legal Compliance**

The Council has fulfilled its requirements to consult on changes by carrying out the consultation as set out in section 5 above.

### **6.3 Personal Data Processing**

The introduction of the changes would not impact on the personal data already held about Council Taxpayers.

### **6.4 Equalities**

A Screening EqIA has been carried out: no issues raised with disproportionate impact on groups with a protected characteristic, but emphasised need for clear communication with benefits recipients

### **6.5 HR / Staffing**

The change proposed will also provide administrative efficiencies to Anglia Revenues Partnership.

## **7. Appendices**

- 7.1 **Appendix A** – [link to S13A West Suffolk Local Council Tax Reduction Scheme to be available for Council agenda papers (17 December 2019)]

## **8. Background documents**

- 8.1 [Report No: EXC/SA/18/003](#) - Shadow Executive (Cabinet): 10 July 2018  
[Report No: COU/SA/18/007](#) - Shadow Council: 17 July 2018

## **9. Acronyms**

DWP – Department for Work & Pensions  
HB – Housing Benefit  
LCTRS – Local Council Tax Reduction Scheme

