

Review of the Local Council Tax Reduction Scheme 2023 to 2024 and decision to consult

Report number:	CAB/WS/22/046	
Report to and date:	Portfolio holder decision to consult	7 October 2022
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Decisions Plan: **Notice of Intention providing the purpose of the decision and the date in which the decision is expected to be made has been published on 29 September 2022.**

Wards impacted: **All**

Recommendation: **It is recommended to the Portfolio Holder for Resources and Property that the West Suffolk Local Council Tax Reduction Scheme for 2023 to 20234 is reviewed in line with:**

- 1. the proposals outlined in Section 2 of Report number: CAB/WS/22/046; and**
- 2. relevant consultation is undertaken, in accordance with Section 4 of Report number: CAB/WS/22/046.**

1. Context to this report

- 1.1 Each year the Council is required to consider whether to revise its Local Council Tax Reduction Scheme (LCTRS). This report advises about the conclusion of the 2022 annual review of and the resultant proposals for consultation for changes to the LCTRS scheme to take effect from April 2023.
- 1.2 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. Therefore work on any amendments needs to start in the summer to allow sufficient time to consult, approve and implement changes prior to 28 February 2023.
- 1.4 The current West Suffolk LCTRS scheme provides a maximum benefit of 91.5 per cent 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. A statutory scheme applies to pensioners who can receive up to a maximum of 100 per cent reduction of their Council Tax bill.
- 1.5 By setting the amount payable at 8.5 percent of the charge, in most cases thus far, where a customer is not paying, ARP has been able to effect 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.
- 1.6 The current, 2022 to 2023 scheme was approved by Cabinet and Council in December 2021 (respectively).
- 1.7 The remainder of this report addresses a proposed consultation for options for the 2023 to 2024 scheme development, in light of the current cost of living pressures, for members to consider alongside national support measures and their wider 2023 to 2024 budget development.

2. **Proposals within this report**

2.1 The proposed consultation options for the West Suffolk Local Council Tax Reduction Scheme that would take effect from 1 April 2023 are:

- a. **to decrease the contribution rate to support low income households in light of the cost of living crisis. The rate will be determined following consultation, taking into account national support measures and the Council's own 2023 to2024 budget development.**
- b. **To increase the 'applicable amounts' for the LCTRS (the amount it is considered is needed to meet basic living costs), in line with Department for Work and Pensions (DWP) increases. This is likely to be by around 10 per cent.**

2.2 The reasons behind these proposals are as follows:

- a. This is part of an initiative to explore the move to a 100 per cent scheme to help those residents in financial hardship in light of the current cost of living crisis.
- b. Many councils across Cambridgeshire, Suffolk and Norfolk are considering 100 per cent schemes to help mitigate rising costs living costs for customers.
- c. In Suffolk, the proposals would help support Suffolk County Council's Tackling Poverty Action Plan by maximising residents' financial resilience.
- d. The proposal is very well targeted as it will reach those who are already on means tested benefits and has low administrative costs
- e. The impact on household budgets must also be considered, we would expect the impact of higher costs to affect individuals' ability to pay into the 2023-2024 financial year.
- f. The aim is that by providing additional support to customers it could help avoid crisis situations, for example, homelessness and lead to fewer applications for Exceptional Hardship Payments from those in receipt of council tax support.
- g. This proposal is a short-term measure for the financial year 2023-2024. After this period West Suffolk Council's LCTRS Scheme would revert to the current 8.5 per cent contribution rate.

3. **Alternative options that have been considered**

3.1 Two further options were considered. These were a) retaining the current scheme with an 8.5 per cent contribution from customers and b) no change to the applicable amounts.

- 3.2 The recommended option has been selected because it maximises the benefit to customers while minimising the administrative resources required to collect small payments.

4. Consultation and engagement undertaken

- 4.1 As it is proposed to revise the West Suffolk LCTRS in line with section 2 above, a short consultation exercise will take place from mid-October to late November 2022.
- 4.2 The consultation will take the form of an online survey, asking stakeholders for their views on the proposal to reduce the contribution rate; what the rate should be (zero per cent or five per cent) and any unforeseen impacts. The link to the survey will be sent to all 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, Citizens' Advice, debt and money management services and local disability groups.
- 4.3 Preceptors will also be consulted on the proposals by letter.

5. Risks associated with the proposals

- 5.1 The financial risk to the Council is set out below in paragraphs 6.1 and 6.2
- 5.2 There is also a risk associated with only implementing the change for one year, with the need for further consideration about how to design a scheme for 2024 to 2025 if inflationary pressures continue. However, that should not stop the implementation of the scheme in 2023 to 2024 and there is an opportunity to manage expectations through the consultation process.

6. Implications arising from the proposals

6.1 Financial implications

The costs of the changes to the minimum contribution would be as follows (for the council and customers). The cost to the Council would be worked through the 2023 to 2024 budget setting process if agreed:

Option	Cost to West Suffolk Council	Customers gaining (number)	Average gain per customer (over year)
Retain current minimum contribution of 8.5 per cent		none	none
Decrease minimum contribution to five per cent	£29,000	4736	£42.14
(Recommended) Decrease minimum contribution to zero per cent	£50,000	4750	£103.32

6.2 There would also be cost implications for Suffolk County Council, the police and parishes totalling around £400,000 (split based on their share of the council tax bill). We would consult with these stakeholders during the consultation period.

6.3 **Administrative resource implications**

If the contribution rate is reduced to zero, it is expected that the proposals would lead to fewer complaints and customer contact from customers struggling to pay, as well as time and resource savings from not collecting the 8.5% shortfall. The cost of recovery process for these small amounts can be expensive and often result in write-offs. The option of continuing to collect the 5 per cent would not carry these full administrative benefits.

7. **Background documents associated with this report**

7.1 CAB/WS/21/058 2022 to 2023 Scheme:
<https://democracy.westsuffolk.gov.uk/documents/s42357/CAB.WS.21.058%20West%20Suffolk%20Local%20Council%20Tax%20Reduction%20Scheme%20LCTRS%202022-2023.pdf>