

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Phillip Cowen, Executive Member Finance & Growth and
Christine Marshall, Executive Director Commercialisation

To: Cabinet, 13 January 2020
Full Council, 23 January 2020

Author: Adrian Mills, Strategic Manager ARP Billing and Benefits

Subject: Local Council Tax Reduction Scheme Review

Purpose: To review the Local Council Tax Reduction Scheme for 2020-21

Recommend to FULL COUNCIL:

- 1) That the Council retain the 8.5% benefit scheme (i.e. the maximum benefit to working age claimants is 91.5%) and
- 2) That the Council introduces a tolerance rule to the treatment of Universal Credit income in the Local Council Tax Reduction Scheme.

1.0 BACKGROUND

- 1.1 Each year the Council is required to review its Local Council Tax Reduction Support Scheme (LCTRS). This report advises Committee about the findings of the 2019 annual review, the consultation on these findings and the resultant proposals for the LCTRS scheme to take effect from 1 April 2020.

Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme for the forthcoming year this must be decided by 11 March. Where Councils seek to amend their scheme it will be necessary to consult preceptors and stakeholders along with a consultation to inform a final scheme design by 28 February.

Full details to the background of this scheme and the Council's current scheme were presented to Cabinet on the 25 June 2019 as detailed in the following paragraphs.

- 1.2 Claims dependent upon Universal Credit (UC) have become increasingly apparent since the Council entered the UC full service during summer 2018, whereby the significant majority of new claims now go through UC and are received by the ARP through the Universal Credit Data Sharing hub (UCDS).

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 customer's circumstances, especially earnings, fluctuate, this leads to monthly revised UC awards sent to the Council by the DWP.

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.

- 1.3 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 toward the customer also has an impact on Council Tax collection, as well as increased administration costs and postage associated with producing additional notification letters.

Within the Anglia Revenues Partnership, Waveney (East Suffolk) has been in the UC Full Service the longest, since May 2016, 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 all the partner Councils, given full service has been rolled out nationally and UC is set to expand.

- 1.4 To ease the burden on the customer, we recommend a tolerance rule is introduced into the Council's scheme. This would have the effect of freezing a customer's assessment when a revised UCDS notification would otherwise trigger a reassessment. UCDS changes notified above the tolerance level 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.

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 re-assessments	14%	21%	32%	32%	36%

- 1.5 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.

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.

It should be noted where customer's circumstances 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.

- 1.6 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 have and will be likely to continue at a lower level.
- 1.7 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.
- 1.8 We are working with our software supplier to introduce additional functionality to enable a tolerance rule, along with automation of these assessments.

1.9 This paper gained approval to undertake a statutory consultation on the changes being proposed and stated that the results of the consultation would be reported back to Committee once complete.

1.10 **Consultation Exercise**

The matters consulted on were:

To introduce a tolerance rule to the treatment of some Universal Credit (UC) monthly awards, to provide stability to customers who are having to alter their Council Tax repayments.

The consultation commenced Monday 28 October 2019 and concluded on Sunday 8 December 2019. As the changes proposed were relatively small, a six week consultation was considered appropriate.

The Consultation was available on the Council's and Anglia Revenues Partnership websites with, in addition, in an attempt to get as much interest as possible, everyone on the Council's Register of Consultees that had expressed an interest in 'corporate issues' and the consultees on a list provided by ARP being notified direct where to find the consultation document. The consultation was further discussed at a Benefits Stakeholder liaison meeting held by the Anglia Revenues Partnership at Thetford on the 7th October 2019 and a separate letter sent to major Preceptors.

1.11 **Consultation Results**

Stakeholders at the liaison meeting did not express any concerns with the proposed change; we have not received any direct responses.

- Twenty-one individual responses were received to the wider consultation, of whom just two respondents receive UC.
- Fifteen (71%) of the twenty-one responses supported the proposed change, with three disagreeing and three not sure.
- Eleven respondents agreed that a £15 weekly tolerance level would be right, with 10 disagreeing, suggesting changes should be implemented immediately, as now, or based on yearly position.
- The response to the Council retaining discretion not to apply the tolerance rule, when it is discovered a single change had occurred throughout the year, was split 50/50.
- Sixteen respondents live in the Breckland area.

1.12 **Conclusion**

The consultation exercise resulted in a positive response to the concept of a tolerance rule, albeit some respondents suggested different monetary levels. However, given 71% were in approval and that our proposal will smooth the customer impact of monthly UC fluctuating awards, as detailed above, Members are asked to recommend to Full Council at its meeting planned for the 23 January 2020, to adopt the changes detailed in the recommendations.

2.0 **OPTIONS**

2.1 That the Council retain the 8.5% benefit scheme (i.e. the maximum benefit to working age claimants is 91.5%) and that the Council introduces a tolerance rule to the treatment of Universal Credit income in the Local Council Tax Reduction Scheme.

2.2 Do not make the proposed changes to the LCTRS scheme.

3.0 REASONS FOR RECOMMENDATION(S)

- 3.1 As required, the Council has completed its annual review of the LCTRS scheme it operates and has identified improvements that will both help claimants and the Council reduce the amount of administration and improve clarity within the current scheme.

4.0 EXPECTED BENEFITS

- 4.1 The changes made to the current scheme have worked well – 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.

5.0 IMPLICATIONS

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

5.1 Equality and Diversity / Human Rights

- 5.1.1 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.
- 5.1.2 An Equality Impact Assessment (INRA) is not required.

5.2 Financial

- 5.2.1 The recommendations in this paper will not have a material impact on the Council Tax collected by the Council, and as the recommendation is to leave the non-relief discount at 8.5% this is not considered significant.

5.3 Stakeholders / Consultation / Timescales

- 5.3.1 Information on the consultation is included within the report.

6.0 WARDS/COMMUNITIES AFFECTED

- 6.1 All wards and communities.

7.0 ACRONYMS

- 7.1 DWP – Department for Work & Pensions
7.2 HMRC – Her Majesty's Revenue & Customs
7.3 LCTRS - Local Council Tax Reduction Support Scheme
7.4 RTI – Real Time Information
7.5 UC – Universal Credit
7.6 UCDS - Universal Credit Data Sharing hub

Background papers:-

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Key Decision: Yes / No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report: None