

BRECKLAND DISTRICT COUNCIL

Report of: Paul Claussen, Executive Member Place and Christine Marshall, Executive Director Commercialisation

To: Full Council, 7 December 2017

(Author: Adrian Mills, Strategic Manager (Benefits) Anglia Revenues Partnership)

Subject: Local Council Tax Reduction Scheme 2018/19 review

Purpose: To consider options for a review of the Local Council Tax Reduction Scheme for 2018/19.

Recommendation(s):

- 1) That Full Council approves that the Local Council Tax Reduction Scheme (LCTRS) for 2018/19 is revised with the proposals outlined at paragraphs 8.2 to 8.6 (as summarised at paragraph 10.2).

1. Purpose / Summary

- 1.1 Each year the Council is required to review its Local Council Tax Reduction Support Scheme (LCTRS). This report advises Council about the conclusion of the 2017 annual review, the resultant proposals previously agreed and the consultation exercise undertaken to revise the LCTRS scheme to take effect from 1 April 2018.

2. Key issues

- 2.1 We are now in the fifth year of LCTRS; a locally set scheme that replaced nationally set Council Tax Benefits (CTB) scheme from April 2013. This meant that Breckland had to decide upon a local means tested scheme to replace Council Tax Benefit for Working Age residents as the Government prescribe a national Scheme for Pensioners.
- 2.2 In 2013-14 the Council received a one-off Government grant that partly compensated for the reduction in Government funding that year. This meant that the maximum LCTRS awarded was the amount calculated, less 8.5% (Pensioners are protected by legislation and receive up to 100% LCTRS).
- 2.3 Since 2013/14 the Council has retained the same scheme, determining annually not to change the scheme.

3 Introduction / Background.

- 3.1 The government replaced Council Tax Benefit with a LCTRS from the 1st April 2013.
- 3.2 The aim of this change was
 - To transfer the system to local control
 - To make savings
 - To protect vulnerable people
 - To support work incentives for claimants created by the Governments wider welfare reform.

- 3.3 100% of Council Tax Benefit was funded through Benefit subsidy prior to April 2013 and the funding was based upon actual expenditure in a year. The funding of LCTRS was based upon 90% of the 2012/13 subsidy awards and does not vary if caseloads or expenditure rises in subsequent years. On the other hand if caseloads reduce then funding will not decrease in the year expenditure reduces.
- 3.4 Breckland made use of the new powers to increase council tax income and also passed some of the shortfall in LCTRS funding on to working age LCTRS recipients (pensioners were protected from any changes by the government) with the intention of making the scheme cost neutral to the Council.
- 3.5 Belatedly the Government offered a small amount of additional transitional funding to Councils who limited the reduction in LCTRS, when compared to Council Tax Benefit, to 8.5% or less.

4.0 Current position.

- 4.1 Breckland Council developed a scheme 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 Appendix B 'vulnerable People key Local Authority duties').
- 4.2 Breckland qualified for the additional funding detailed at 3.5 above in 2013/14, however the funding has not been offered again. Breckland protected War Pensioners and other payments within the Armed Forces Covenant from the reduction in maximum benefit and also removed Second Adult Rebate for working age claimants from our schemes.

5.0 Financial Impacts of the scheme in 2015/16 and 2016/17

- 5.1 Appendix A to this report shows the collectible council tax for all cases that has at some point in the year received a discount. The debit shown in appendix A includes the whole amount charged for the year including the discounted periods.
- 5.2 Council Tax accounts where there has been a period of LCTRS awarded show a continuing decline in collection rates. As expected, collection has partly relied upon a significant increase in arrangements to deduct Council Tax from DWP Benefits.
- 5.3 Breckland 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.

6.0 Behavioural and Administrative impacts

- 6.1 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.
- 6.2 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.

- 6.3 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.
- 6.4 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 Appendix C 'Have cuts to Council Tax Support in England led to rising Council Tax arrears? And Appendix D 'Key changes to council tax support in 2017.18 Joseph Rowntree report'.)

7.0 Matters to consider

- 7.1 Councils are required to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 28th February of the preceding year – the budget setting process provides for such a determination.
- 7.2 Where Councils seek to amend their scheme it will be necessary to consult Preceptors and stakeholders prior to a consultation to inform final scheme design by 31st January of the preceding year.
- 7.3 Proposals for change were considered and determined by Informal Executive to inform public consultation questions. The results of which are included in this report to Full Council to consider final scheme revisions.

8.0 Scheme review

- 8.1 Table B at Appendix A details options considered.
- 8.2 At the current time Benefit rates used in the Scheme have not been uprated in line with the Prescribed Scheme for Pensioners nor Housing Benefit since 2013. It is proposed that this is addressed, the cost to the District is small; it should be noted that Benefit rates only require uprating to 2015 rates, as Government determined to freeze rates at 2015 values in 2016 for four years. The cost of this change is set out in table B in Appendix A (line 1).
- 8.3 Harmonise the Scheme to the DWP Welfare Reforms introduced in Housing Benefit and Council Tax Support for Pensioners as applicable. 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.
- 8.4 Introduce links to the award of Universal Credit (UC); the Council shall be in the UC Full Service from June 2018. 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.
- 8.5 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.

8.6 It is proposed that Breckland Council determine additional classes of applicant who will not be required to satisfy the UC entitlement requirement, possibly but not exclusively; War Pensioners, customers receiving Armed Forces payments and customers in receipt of Industrial Injuries Disablement Benefit. It should be noted War Pensioner and War Widow allowances are fully disregarded as income when calculating Council Tax Support.

9.0 Other options considered but discounted

9.1 Restricting maximum Council Tax band used to assess entitlement to Band D – effects a small number of customers relative to the gain for the Council.

9.2 Restricting savings cap from £16,000 to £6,000 – effects a small number of customers some of whom are likely to requalify once their savings reduce.

9.3 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 Appendixes C & D.

10.0 Reasons for recommendations

10.1 The options detailed above at para 8 above to inform public consultation.

10.2 The recommendations are threefold; to align calculation rates to present levels, to harmonise to Government welfare reforms prevalent in Housing Benefit and Council Tax Support for Pensioners as applicable, and to prepare for the expansion of Universal Credit.

11.0 Expected benefits

11.1 Harmonisation to DWP benefit rates will ensure compatibility to Government set rates whilst providing fairness; complying with Welfare Reforms meets Government policy, whilst planning for Universal Credit will ease the application process and customer experience. It is expected these enhancements will simplify customer notifications and understanding, thereby reducing avoidable contact, whilst streamlining and reducing the administrative burden. Customer satisfaction accessing and using the service should improve.

12.0 Consultation exercise

12.1 The consultation commenced 25th October 2017 and ran to the 22nd November, available on the Council's website and by direct letter to the major Preceptors and stakeholders. The consultation was also discussed at a Benefits Stakeholder liaison meeting held by the Anglia Revenues Partnership at Thetford on the 27th October.

13.0 Consultation comments

13.1 There were no formal responses from residents or stakeholders, however, stakeholders at the liaison meeting stated they are familiar with the Government's welfare reforms, as they are used to the concepts in Housing Benefit. There were no questions raised and they welcomed linking the award of Council Tax Support to Universal Credit, along with the removal of the requirement to make a separate claim. Norfolk County Council responded that they are supportive of the proposed changes, making a number of further suggestions, some of which have been discounted in table B at Appendix A.

14.0 Options to consider

14.1 That the Council retains the existing scheme for the 2018/19 year.

14.2 That the Council implements the recommendations in this report to revise the scheme for the 2018/19 year.

15.0 Recommendation

15.1 That Full Council agrees to implement the recommendations detailed at paragraph 8.2 to 8.6 to revise the scheme for the 2018/19 year.

16.0 Implications

16.1 Risk

Please refer to the Appendices.

16.2 Financial

If risk is not managed and regularly reviewed then there can be significant financial risk where problems are not identified and dealt with.

16.3 Legal

16.4 Equality and Diversity

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. Therefore an Equality Impact Assessment (EIA) is not considered necessary.

17.0 WARDS/COMMUNITIES AFFECTED

17.1 All

18.0 Acronyms

CTB – Council Tax Benefit

CTS – Council Tax Support

DWP – Department for Work & Pensions

LCTRS – Local Council Tax Support Reduction Support Scheme

NCD – Net Collectible Debit

UC – Universal Credit

Background papers:-

[See The Committee Report Guide for guidance on how to complete this section](#)

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Key Decision:

Yes

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A – Council Tax collection and cost of scheme options

Appendix B – Vulnerable People key Local Authority duties'

Appendix C - Have cuts to Council Tax Support led to rising Council Tax arrears

Appendix D – Key changes to council tax support in 2017.18 Joseph Rowntree report.