

Report of:	Head of Finance
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Key Decision:	No
Report Track:	Cabinet: 08/08/19

CABINET
8 AUGUST 2019
CONSULTATION ON LOCAL COUNCIL TAX REDUCTION SCHEME

1 Purpose of Report

- 1.1 To inform Cabinet of the need to review the Council's Local Council Tax Reduction Scheme (LCTRS).
- 1.2 To explain the proposed features of a new Local Council Tax Reduction Scheme.
- 1.3 To seek the necessary approvals and delegations to instigate a formal consultation process, subject to detailed cost forecasting and the scheme principles explained in this report.

2 Recommendation(s)

- 2.1 That the need to review the Council's Local Council Tax Reduction Scheme be noted and supported.
- 2.2 That authority to instigate a formal consultation process, subject to detailed cost forecasting and the scheme principles explained in this report, be delegated to the Head of Finance, in consultation with the Leader of Council.

3 Key Issues and Reasons for Recommendations

Key Issues

- 3.1 The Council's current LCTRS was implemented in 2013, in partnership with all other Staffordshire councils, when the national Council Tax Benefit scheme was abolished. In common with all other districts and boroughs at that time, the scheme mirrored the council tax benefit and housing benefit schemes, whilst at the same time accommodating a 10% reduction in government funding, and protecting the more vulnerable groups.

Reasons for Recommendations

- 3.2 Over the last 6 years there have been several significant changes that have been applied to the Housing Benefit Scheme through Welfare Reform legislation that, in the main have not been applied to the LCTRS. This has resulted in complex and costly administration with Councils applying different rules to the assessment of Housing Benefit claims compared to the assessment of LCTR. This can lead to confusion for customers as well as for staff.
- 3.3 In particular, the current scheme does not work well for Universals Credit (UC) claimants, who no longer claim other benefits from the Council.
- 3.4 Central government funding for our benefit service will continue to reduce as our Housing Benefit caseloads reduce as a result of Universal Credit.
- 3.5 The rules for LCTR for pensioners continue to be prescribed nationally and we can only consider the scheme insofar as it affects working aged claimants.

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:
 - (i) By refreshing our LCTRS we will contribute to the objective of improving community wellbeing, in particular by providing support to the less well off and vulnerable people.

5 Report Detail

- 5.1 In 2013 Council Tax Benefit, which was a national scheme, was removed for all working aged claimants and replaced by a localised Council Tax Reduction Scheme. All Staffordshire authorities worked jointly to produce a framework scheme, based on the same set of principles but which contains some variances for each authority depending on their demographics and local priorities. The scheme has not been substantially changed since its inception.
- 5.2 The scheme is means tested and all claimants are required to complete an application form and provide considerable evidence and information within a specific timescale in order for an assessment to be completed enabling a reduction in the amount of council tax payable. Whilst this process sat well alongside the Housing Benefit scheme, it is onerous for claimants who only wish to claim LCTR from the Council.
- 5.3 Our current scheme is "penny specific". We make an award based on exact income and capital of the claimant. Any change must be reported and will require a re-assessment. This in turn generates a revised Council Tax bill. This is cumbersome and frustrating for Benefit Staff, Council Tax Staff and customers alike, particularly when changes are small. Furthermore, the repeated re-issue of bills, delays the recovery of unpaid council tax, which obviously contributes to non-payment issues.

- 5.4 UC payments in particular would be problematic if not addressed. For many claimants, UC payments can change on monthly basis. This could mean that an individual might receive twelve council tax bills during the year with payment schedules being re-profiled each time. This makes it very difficult for claimants to manage their money or understand how changes to their income might affect them, often leading to arrears and debt. This will certainly become more of an issue when UC starts to migrate from next year.
- 5.5 The Council Tax arrears amongst LCTR recipients are proportionately much higher than arrears amongst those not reliant on benefit, and this is no surprise. Whereas in 2018-19 we collected 97.4% of our overall Council Tax within the financial year, the collection rate amongst LCTR recipients was 82%. The current scheme is evidently creating charges which are difficult for the taxpayer to pay and for the Council to recover when not paid. This is clearly inefficient and ineffective and needs to be addressed, without losing fairness and equality from the scheme.
- 5.6 Better use of technology can be adopted in order to simplify the process of claiming, assessing and notifying LCTR, to the benefit of both the council and its customers.
- 5.7 The scheme which we would anticipate implementing from 1 April 2020, will be a “Banded Discount Scheme” which would remove much of the complexity associated with the current scheme, whilst at the same time maintaining fairness and equality in the way in which awards are distributed amongst Council Tax payers. According to their household and financial circumstances, claimants will be placed into bands and an appropriate percentage reduction made from their bill.
- 5.8 An example of a banded scheme can be seen below
(This is for illustration purposes only):

% discount	100%	75%	50%	25%	No discount
Household					
Single Person – no dependents	<£110	110.00 - £150	£150.01- £230	£230.01- £300	£300.01+
Couple - no dependents	<£160	160.00 - £200	£200.01- £270	£270.01- £350	£350.01+
Lone parent with 1 dependant	<210*	£210.00 - £250	£250.01- £330	£330.01- £400	£400.01+
Lone Parent with 2+ dependants	<260	£260.00 - £300	£300.01- £370	£370.01- £450	£450.01+
Family with 1 dependant	<210	£210.00 - £250	£250.01- £330	£330.01- £400	£400.01+
Family with 2+ dependants	<260	£260.00 - £300	£300.01- £370	£370.01- £450	£450.01+

- 5.9 Changing the LCTRS to a Banded Discount Scheme will make it much easier for people to understand and for our staff to administer. Claimants will easily be able to establish if they will qualify and the amounts involved. The claim will be a short, online process, with support available for residents who find it difficult to claim online.
- 5.10 The new income band system would enable people to increase their working hours or get a better paid job knowing in advance how much support we will give them to pay their council tax. They will also get fewer council tax bills even if their Universal Credit changes, provided their income remains within a particular band.
- 5.11 The simplified scheme will result in reduced administration and significant reduction in costs to the Council.
- 5.12 Awards of LCTR are relatively low (an average of £15.35 per week in 2019/20) and do not result in a physical payment being made, but rather a reduction applied to our bill. It is therefore expected that some of the current onerous evidence requirements can be reduced, with our officers' time being more targeted to compliance checks using data access and data matching facilities available to us.
- 5.13 Officers will again work with other Staffordshire councils, to maintain consistency of approach across the county. Similarly, many other councils across the country are adopting the same approach.
- 2013/14 – Only 1 Council in England had a banded scheme
 - 2018/19 – 10 Councils introduced banded or part banded schemes
 - 2019/20 – 25 Councils have introduced banded or part banded schemes
 - 2020/21 – Over 100 authorities are looking to change and simplify their schemes.
- 5.14 A number of principles have been established which we intend to consider incorporating into a new scheme, subject to costing and impact assessments;
- The scheme will be cost neutral. We anticipate the total spend to be as it is now.
 - Significant administrative savings resulting from the streamlined process and use of technology.
 - Improved customer experience, through simplicity of process.
 - As far as is possible, we want to create common schemes across all Staffordshire Districts.
 - Banded discounts, probably increasing in 25% or 20% increments up to 100%
 - No non dependant charges.
 - Child benefit wont be included in income (whereas some sites do at present)
 - Capital cut off. As now, claimants with more than £6,000 in savings will be excluded.
 - Band D cut off. As now, properties in property bands E-H will be assessed at the band D rate.

- Claimants will only need to report changes of income which are sufficient to take them into the next income band.
- Better use of technology, with the development of an on-line /self assessment process.
- Maximum award will be 100%.
- Self employed claimants will be assessed according to their HMRC self-assessed earnings, subject to a minimum of the National Minimum Wage level.
- A contingency fund will be included in the scheme, as now, to address unforeseen circumstances and exceptional hardship.

5.15 Full Council approval is needed for an amended scheme and we are obliged to conduct a comprehensive consultation process prior to this. This will include member briefings as well as consultation with preceptors, voluntary organisations and the public. The next steps in this process are, as follows;

- **Costing** – whilst the principles of an efficient scheme are apparent, the most difficult part of the task must now be undertaken i.e. to establish the correct income bands to be applied within the scheme.
- **Consultation** – An extensive formal consultation will take place, typically for a period of around 8 weeks and including the major preceptors, partners, community groups and other stakeholders as well as Parish Councils and any other interested parties. The billing authorities will undertake this exercise together, sharing the cost of any necessary external expertise.
- **Reporting and Approval** – Full Council approval is needed for the new schemes. A report and proposed scheme will be presented to Council on 8 January 2020.

6 Implications

6.1 Financial

This particular report seeks only to begin a consultation process and so has no significant financial implications.

The scheme that we will consult upon will be budgetary neutral and will be reported and explained to members through the consultation process.

6.2 Legal

We have a legal duty to consult on the changes to our scheme. Schedule 1A of the Local Government Finance act 1992, which was inserted by Local Government Finance Act 2012 states that:

Before making a scheme, the authority must (in the following order)

- (a) consult any major precepting authority which has power to issue a precept to it,*
- (b) publish a draft scheme in such manner as it thinks fit, and*
- (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.*

6.3 Human Resources

None.

6.4 Section 17 (Crime Prevention)

None.

6.5 Human Rights Act

None.

6.6 Data Protection

None

6.7 Risk Management

The risk issues contained in this report are not strategic and therefore should not be included in the Strategic Risk Register.

6.8 Equality & Diversity

None.

6.9 Best Value

None.

7 Appendices to the Report

None.

Previous Consideration

None.

Background Papers

None.