

Cabinet report



1 September 2020

LOCAL COUNCIL TAX REDUCTION SCHEME 2021/22

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Exempt / confidential / not for publication	No
Council Plan reference	1- Balanced Budget
Wards affected	All wards

Executive summary

This report sets out a proposed amendment to the Local Council Tax Reduction Scheme, which if agreed by Full Council, would take effect from 1 April 2021.

The amendment seeks to introduce a tolerance rule on all working age cases, which would prevent the reissue of a Council Tax bill in every case where the Council Tax Reduction award has changed by less than £0.50 a week.

The report recommends that prior to any such amendment being made and presented to Full Council for consideration, the proposed change to the scheme is put to public consultation.

1. Decision to be made

- 1.1 That the proposed change to the Local Council Tax Reduction scheme, introducing a £0.50 a week tolerance rule, to go forward for 8 weeks public consultation.

2. Why is the decision needed?

- 2.1 From April 2013, the change from Council Tax Benefit to Council Tax Reduction (CTR) means rather than receiving a benefit to offset the cost of Council Tax, eligible residents now receive a discount. This discount is largely based on the applicant's income over a certain level, which is determined by their household makeup. Fluctuations in income revise the level of the award payable, which either increases or decreases the Council Tax bill accordingly.
- 2.2 The number of revised Council Tax bills issued due to fluctuations in the Council Tax Reduction award has increased due to the introduction of Universal Credit (UC). This trend will continue as more people move onto Universal Credit.
- 2.3 UC assessments are updated with income/earnings data gathered from employers by HMRC on a real time basis. The net effect is that in cases where the earnings change from one month to the next, the UC entitlement also changes. This can result in a monthly reassessment of Council Tax Reduction awards, as UC changes to entitlement are automatically passed onto the Local Authority and have a corresponding impact on the CTR award level.
- 2.4 A reassessment of CTR results in a revised Council Tax Bill with revised instalments and consequently interrupts the recovery cycle as well as generating enquiries from recipients of the revised bill.
- 2.5 The introduction of a tolerance rule would prevent the reissue of a Council Tax bill in every case where a minimal change has occurred to the Council Tax Reduction award. No bill would be generated unless the change in the award is more than a predetermined level. The level proposed for consultation is £0.50 a week.
- 2.6 Although the number of cases each month at £0.50 a week is low at around 100 per month, this number is likely to increase to around 170 as Universal Credit cases increase (Annex A). It also provides for a controlled implementation and assessment of the impact of the change, which can be built on in future years if required.

- 2.7 The Local Government Finance Act 2012 requires, for each financial year, that each billing authority must consider whether to revise its scheme or to replace it with another scheme. The authority must make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 2.8 Revisions to the scheme can only be made following consultation with any major precepting authority and such other persons as the authority considers are likely to have an interest in the scheme.

3. Implications of the decision

Financial	Yes	Human rights, equalities, diversity	Yes
Legal	Yes	Policies or Council Plan	Yes
Communication	Yes	Procurement	No
Energy Efficiency	No	Workforce	No

a) Financial implications

The reissue of a revised Council Tax bill interrupts the recovery cycle and can have an adverse impact on the Councils Council Tax collection rate. A tolerance rule would reduce this occurrence.

If a tolerance rule of £0.50 a week is set, a CTR award may be up to £24.50 a year more or less than it would be if no such rule existed. Although the overall cost of the change to MKC is neutral, any increase in the contribution expected from low income residents, increases the risks in terms of collection.

The retention of a Discretionary Council Tax Reduction Fund will mitigate this risk to a certain extent. However, the pressure on this fund may increase and result in an increase in spend, although this is likely to be minimal.

There is a risk that the claimant caseload could increase minimally, resulting as in a slight increase in expenditure. For example, if the tolerance level is set at £0.50, a recipient with an entitlement of £0.45 whose award would have been reduced to nil, would retain their entitlement to £0.45.

Annex A provides additional information on the number of cases likely to be affected and the level of change in income required to trigger a relevant change in the CTR award.

b) Legal implications & Communication

The Local Government Finance Act 2012 requires the Council to publicly consult on any proposed changes to its LCTR scheme.

It is also a requirement for the Council to consult with the major precepting authorities (Buckingham & Milton Keynes Fire Authority and the Police & Crime Commissioner for Thames Valley).

c) Equalities

Equality Impact Assessment have been completed in respect of the original Scheme in 2012 and for subsequent changes to the scheme. A further EqIA will be completed following consultation on the draft scheme and will be provided as part of the report to Cabinet on 2 February 2021.

4. Alternatives

4.1 There are 3 possible alternative options that will be referred to as part of the consultation process;

Option 1: Do not consult and continue the scheme as is.

Option 2: Consult on introducing a tolerance rule at an alternative level, for example £1 a week.

- The higher the tolerance level the fewer revised bills will be issued but the greater financial impact on the recipient.
- A lower tolerance level will result in more bills but will have a lesser financial impact on the recipient.

Annex A sets out the impact for various tolerance level values.

Option 3: Consult on introducing a Banded Scheme for all working age cases.

- The scale of impact of a change to a banded scheme means that this option would not be achievable for introduction by April 2021 and would need to be implemented from April 2022.
- Although a banded scheme is likely to reduce the number of bills that are reissued, it creates cliff edges that can have a greater financial impact on CTR recipients than a tolerance rule, in that a £0.01 change in income can increase or decrease a bill significantly.

- In all cases the LA still has to maintain a traditional CTR scheme for their pension-age caseload so are running two completely different schemes in parallel and as such increase complexity in terms of staff training or in explaining the assessment to the applicant, particularly where a Housing Benefit assessment is also required, the rules of which are broadly similar to those used to assess entitlement to a Council Tax Reduction.

5. Timetable for implementation

1 October 2020 to 26 November 2020: 8 Week Public Consultation.

2 February 2021: Cabinet Report on consultation findings and recommendations to be considered by Cabinet in order to make a recommendation to approve or reject changes to Full Council

24 February 2021 Full Council to approve or reject Cabinet recommendation on CTR Scheme for 2021.

1 April 2021: Revised CTR Scheme to take effect.

List of annexes

Annex A – Council Tax Reduction (CTR) changes in awards statistics

List of background papers

Section 13A of the Local Government Finance Act 1992 (c. 14), (“the 1992 Act”), substituted by Section 10 of the Local Government Finance Act 2012 (c.17), (“the 2012 Act”)

Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

Milton Keynes Council Tax Reduction Scheme 2020