EASTSUFFOLK COUNCIL

# CABINET

## Tuesday, 07 September 2021

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| **Subject** | East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23 |
| **Report by** | Councillor Maurice Cook<br><br>Cabinet Member with responsibility for Resources |
| **Supporting Officers** | Brian Mew<br><br>Chief Finance Officer and Section 151 Officer<br><br>Brian.mew@eastsuffolk.gov.uk<br><br>01394 444571<br><br><br>Adrian Mills<br><br>Head of Benefits and Council Tax Billing, Anglia Revenues Partnership (ARP)<br><br>Adrian.Mills@angliarevenues.gov.uk<br><br>01842 756491 |

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| Is the report Open or Exempt? | OPEN |

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| Category of Exempt Information and reason why it is **NOT** in the public interest to disclose the exempt information. | Not applicable |
| **Wards Affected:** | All Wards |

## Purpose and high-level overview

**Purpose of Report:**

The purpose of this report is to review the 2021/22 Local Council Tax Reduction Scheme (LCTRS) and consider options for the scheme for 2022/23.

**Options:**

Each year the Council is required to review its Local Council Tax Reduction Scheme (LCTRS). Anglia Revenues Partnership (ARP) have carried out the annual review of the 2021 scheme and have identified several options to consider in relation to scheme amendments for 2022-23.

Option 1 is to retain the existing scheme. Where it is determined to retain the existing scheme, this must be decided by 11 March of the preceding financial year.

Possible amendments to the scheme are shown in Options 2 to 7 below. Options 2 and 3 focus on financial savings, whilst Options 4 to 7 focus on improving the customer journey.

The current East Suffolk Working Age LCTRS scheme provides a maximum benefit of 91.5% for working age claimants and the scheme also fully protects War Pensioners.

Option 2 entails increasing the contribution rate to more than 8.5%.

Option 3 entails capping LCTRS entitlement at the level of Band D Council Tax liability.

Option 4 is to reduce the capital threshold from £16,000 to £10,000 and abolish tariff income.

Option 5 would be to introduce a fixed rate non-dependant deduction.

Option 6 is to further streamline the claim process.

Option 7 is to increase the tolerance for Universal Credit data re-assessments.

**Recommendation/s:**

That Cabinet approve that a consultation be undertaken on the following proposed amendments to the East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23:

- Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income.
- Introducing a fixed rate reduction of £7.40 for non-dependants.
- Further streamlining the claim process.
- Increasing the tolerance for Universal Credit data re-assessments from £65 per month to £100 per month.

## Corporate Impact Assessment

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| **Governance:**<br><br>None arising directly from this report. |
| **ESC policies and strategies that directly apply to the proposal:**<br><br>East Suffolk Local Council Tax Reduction Scheme (LCTRS) |
| **Environmental:**<br><br>None arising directly from this report. |
| **Equalities and Diversity:**<br><br>An Equalities Impact Assessment (EqIA) has been prepared in respect of the proposals recommended in this report. This EqIA will be revised if necessary if the consultation indicates any changes in respect of the impact on one or more Protected Characteristic groups. |
| **Financial:**<br><br>Although primarily focussed on improving the customer journey, if implemented, the recommended proposals are estimated to generate savings to the East Suffolk Collection Fund in the region of £97,000, around £13,000 of which would be attributable to East Suffolk Council. |
| **Human Resources:**<br><br>None arising directly from this report. |
| **ICT:**<br><br>None arising directly from this report. |
| **Legal:**<br><br>None arising directly from this report. |
| **Risk:**<br><br>None arising directly from this report. |

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| **External Consultees:** | If it is agreed to accept the proposals detailed in this report, a consultation exercise will need to take place in the Autumn with a consultation period of 6 weeks. Options 2 and 3 would require a consultation period of 12 weeks.<br><br>The consultation will take the form of an online customer survey, asking stakeholders for their views on the proposals and any unforeseen impacts. The link to the survey will be made available on the Council and ARP websites, sent to all stakeholders and preceptors. |

## Strategic Plan Priorities

| | Select the priorities of the Strategic Plan which are supported by this proposal: *(Select only one primary and as many secondary as appropriate)* | Primary priority | Secondary priorities |
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| **T01** | **Growing our Economy** | | |
| P01 | Build the right environment for East Suffolk | ☐ | ☐ |
| P02 | Attract and stimulate inward investment | ☐ | ☐ |
| P03 | Maximise and grow the unique selling points of East Suffolk | ☐ | ☐ |
| P04 | Business partnerships | ☐ | ☐ |
| P05 | Support and deliver infrastructure | ☐ | ☐ |
| **T02** | **Enabling our Communities** | | |
| P06 | Community Partnerships | ☐ | ☐ |
| P07 | Taking positive action on what matters most | ☐ | ☒ |
| P08 | Maximising health, well-being and safety in our District | ☒ | ☐ |
| P09 | Community Pride | ☐ | ☐ |
| **T03** | **Maintaining Financial Sustainability** | | |
| P10 | Organisational design and streamlining services | ☐ | ☐ |
| P11 | Making best use of and investing in our assets | ☐ | ☐ |
| P12 | Being commercially astute | ☐ | ☐ |
| P13 | Optimising our financial investments and grant opportunities | ☐ | ☐ |
| P14 | Review service delivery with partners | ☐ | ☒ |
| **T04** | **Delivering Digital Transformation** | | |
| P15 | Digital by default | ☐ | ☒ |
| P16 | Lean and efficient streamlined services | ☐ | ☒ |
| P17 | Effective use of data | ☐ | ☒ |
| P18 | Skills and training | ☐ | ☐ |
| P19 | District-wide digital infrastructure | ☐ | ☐ |
| **T05** | **Caring for our Environment** | | |
| P20 | Lead by example | ☐ | ☐ |
| P21 | Minimise waste, reuse materials, increase recycling | ☐ | ☐ |
| P22 | Renewable energy | ☐ | ☐ |
| P23 | Protection, education and influence | ☐ | ☐ |
| XXX | **Governance** | | |
| XXX | How ESC governs itself as an authority | ☐ | ☐ |

**How does this proposal support the priorities selected?**

The LCTRS provides important support to people in East Suffolk, directly contributing to the key theme of Enabling our Communities. The changes proposed for implementation in April 2022 will further reduce customer notifications and contact; further reduce continuous changes to benefits received; and contribute to overall improvement of the customer journey.

## Background and Justification for Recommendation

| 1 | Background facts |
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| 1.1 | This is now the ninth year of LCTRS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013. In 2013/14 a one -off Government grant compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was 91.5%. This scheme, adopted by both Suffolk Coastal and Waveney District Councils, has basically been maintained since, and the current East Suffolk LCTRS scheme provides a maximum benefit of 91.5% 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. |
| 1.2 | 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 set higher, then it is possible the debt would not be recoverable and possibly create a culture of non-payment of Council Tax. |
| 1.3 | For 2014/2015 to 2017/18 the original scheme was retained, except that allowances and premiums (the amounts of income from state-administered benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit. |
| 1.4 | For the 2018/19 scheme there was a consultation on a proposal to harmonise the scheme to DWP welfare reforms introduced for Housing Benefit and LCTRS for Pensioners and introduce closer links to Universal Credit data share for claims, thereby removing the stipulation to make a separate claim. This was subsequently approved and introduced. |
| 1.5 | For 2019/20, East Suffolk Council kept the same scheme as its predecessor councils had operated for 2018/19. |
| 1.6 | For 2020/21 the only change, after consultation, was to introduce a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received. |
| 1.7 | Against the uncertain background of the Covid-19 pandemic, Cabinet agreed that there would not be any changes to the LCTRS for 2021/22, with a full review being undertaken this year to develop a range of options for consideration and possible consultation. |

| 2 | Current position |
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| 2.1 | Councils are required to review their LCTRS schemes annually and consider whether any changes need to be made. Where it is determined to retain the existing scheme, this must be decided by 11 March of the preceding financial year. |

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| 2.2 | Where councils decide that they wish to amend their schemes they need to consult preceptors and stakeholders and undertake a wider consultation to inform a final scheme design by 28 February of the preceding financial year. A final report will consequently need to be considered by Cabinet in December 2021. |
| 2.3 | The current East Suffolk Working Age LCTRS scheme provides a maximum benefit of 91.5% for working age claimants and the scheme also fully 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 during the year. |
| 2.4 | A statutory scheme applies to Pensioners who can receive up to a maximum100% reduction of their Council Tax bill. |

| 3 | How to address current situation |
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| 3.1 | ARP have undertaken a review of the scheme and have identified a range of options for amendments. Options 2 and 3 focus on financial savings, whilst Options 4 to 7 focus on improving the customer journey |
| 3.2 | **Option 1** is the default option of retaining the existing scheme. However, it is not recommended in this report that this option be adopted, as the review has indicated that improvements can be made to the existing scheme for 2022/23. |
| 3.3 | As an option to potentially realise financial savings, **Option 2** would entail increasing the contribution rate to more than 8.5%. If this option was proposed it should be noted that a 12-week consultation period would be required.<br>The potential savings to the collection fund to be realised by increasing the minimum contribution rate to 10%, 15% or 20%. An estimated 10,169 customers would see increases in their council tax liabilities at these levels, and the totl estimated net savings in respect of each are shown below:<br><br>Increase in liability to 10% £171,497<br>Increase in liability to 15% £740,539<br>Increase in liability to 20% £1,303,256 |
| 3.4 | However, the possible increase in Council Tax charged by the Council would be less than the additional costs of recovery incurred (additional staff, postage and enquires to customer services), and in most cases we would not be able to recover the debt in year by deduction from DWP benefits and therefore this is not recommended, as detailed in Appendix A. |
| 3.5 | The impact of Covid-19 must also be considered, as we would expect that some continued economic impacts could affect individuals' ability to pay into the 2022/23 financial year. |
| 3.6 | **Option 3** entails capping LCTRS entitlement at the level of Band D Council Tax liability. This would realise savings to the Collection Fund of around £60,936 per year and would result in around 130 customers who reside in Band E properties or higher having their liability calculated on the cap at Band D. |
| 3.7 | This option has been suggested in the past for consideration but has not been adopted to date. This change represents a very small potential financial gain for the collection fund and the additional council tax could prove costly and difficult to collect, as detailed in Appendix A. It is also a measure that would be likely to generate more contact and complaints and not contribute to the customer |

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| | journey. Consequently, it is not recommended. |
| 3.8 | **Option 4** is an option with broadly neutral financial impacts on customers to improve the customer journey by reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income. |
| 3.9 | This option would result in:<br>• A simplified scheme reducing the burden on customer and evidence requirements<br>• Reduced number of claim adjustments as there would be no requirement to notify changes in capital of £250 or more<br>• More streamlined customer experience and reduced processing times for universal credit claims as tariff income details are not provided in DWP data share records<br>• Targeting help to those most in need as those with less capital will receive increased awards and those who no longer qualify will have more than £10,000 capital. |
| 3.10 | Simplification would enable us to provide quicker decisions to such customers as the need to manually calculate tariff income would be removed. This option is relatively cost neutral, with potential savings of around £17,000. Its estimated that 13 customers would gain under this option with 22 losing. |
| 3.11 | **Option 5** would introduce a fixed rate non-dependant deduction. This option would result in:<br>• Reduced burden on customer and evidence requirements<br>• Reduced number of claim adjustments as there would be no requirement to notify changes in non-dependant income. This is something the customer is not always aware of or able to obtain verification of themselves<br>• The functionality to verify and receive automatic income updates from DWP and HMRC does not extend to non-dependants meaning verification is always a manual process and the onus is solely on the customer to identify and report changes for their adult household members<br>• More streamlined customer experience and quicker processing times for Universal Credit claims as DWP do not gather details of non-dependant's income and the responsibility on the Local Authority to obtain this missing information delays claim processing - delays in and failure to provide non-dependant income details results in incorrect LCTRS awards, often impacting council tax collection and arrears. |
| 3.12 | An administrative consequence of this proposal would be that our ability to increase automation and provide decisions to customers in one day would be extended to those with non-dependants, as the need to request follow up details would be removed. Existing protections for customers entitled to a severe disability premium would be retained meaning they would continue to be exempt from non-dependant deductions' |

3.13 This option focusses on an improved customer journey and reduction in administrative burden and although indicating some savings the proposed deduction rates have been modelled to provide a relatively cost neutral option as detailed in the table below:

3.14

| | Estimated Saving | Customers gaining | Customers with reductions |
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| Fixed non-dependent deduction £5.30 for all non-dependents | £30,757 | 174 | 417 |
| Fixed non-dependent deduction to £7.40 for those not passported | £79,574 | 223 | 392 |

3.15 The first option above applies one fixed rate deduction of £5.30 for all non-dependants based on the current average deduction rate, including those on passported benefit, whilst the second option above retains a nil deduction for non-dependants in receipt of passported benefits but introduces a fixed rate deduction of £7.40 for non-dependants based on current average.

3.16 Over the years, the claim process has been streamlined and **Option 6** is a further development of this. DWP signpost everyone claiming Universal Credit (UC) to their Local Authority to make a separate application for LCTRS. However, whilst our scheme was amended to allow us to treat DWP notification of UC outcome as a claim, we often receive separate customer claims.

3.17 Simplifying the claim process to improve the customer journey can be achieved through introducing the following classes of applicant who can claim LCTRS:

a. those in receipt of a legacy (pre-UC) DWP benefit
b. those claiming or already in receipt of UC
c. customers not required to claim UC, such as war pensioners and widows

3.18 We expect this proposal will minimise customer engagement, improve speed of administration and improve processing times for customers by:

- Clarifying the customer journey by removing any confusion that a separate claim is required
- Reducing customer burden to provide evidence through making a non-UC claim
- Removing requirement for both DWP and Local Authority to verify same income details
- Maximising customer income by signposting customers to claim Universal Credit
- Makes full use of DWP data share functionality

3.19 Data analysis undertaken for the first quarter of this financial year has identified only three customers have applied directly to the Local Authority without being in receipt of a legacy benefit or UC or whilst also making a fresh claim for UC at the

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| | same time. Implementing this change would signpost all three to claim directly with the DWP, resulting in two of them being entitled to UC and LCTRS and one not being entitled to UC, but still being entitled to LCTRS. Therefore, whilst a small sample, the data suggests two thirds of the customers we would signpost to claim UC, as they haven't already done so, would be better off as a result and so would not need to make a separate claim to us for LCTRS. |
| 3.20 | **Option 7** is to increase tolerance for Universal Credit data re-assessments. In April 2020 a tolerance rule of £65 per month was introduced which meant we no longer reassessed income changes of less than £15 per week for UC customers. UC is designed to be paid monthly, calculated on the customer's circumstances, including Real Time Information (RTI) earnings data from HM Revenue and Customs. Given customers' circumstances, especially earnings, fluctuate, this leads to significant volumes of monthly revised UC awards sent to the Council by the DWP. |
| 3.21 | Due to the tolerance rule such customers have seen a reduction by one third in Council Tax adjustment notifications, as well as a reduction in direct debit amendments and the need to request a refund. This has provided greater certainty to customers to enable to them to manage their payments and household budgets, with it being well received and working as expected. |
| 3.22 | The introduction of a fluctuating earnings rule has been particularly beneficial given the significant increase in the COVID-19 workload for Anglia Revenues Partnership, which peaked at a 500% increase compared to the same point last year, before reducing to 200% and now starting to return to normal levels. |
| 3.23 | A review of the tolerance rule suggests increasing the figure from £65 per month to £100 per month would further reduce the need for re-assessments from a third to a half, thereby providing more customers with stable payment arrangements, fewer adjustments and improved financial certainty. By retaining the discretion to review exceptional cases we will be able to override the rule in the case of a single beneficial change being reported. However, we are yet to see a case where discretion has been needed with the current £65 tolerance, given most cases have monthly fluctuations reported which evens out any impact of applying the tolerance over the course of a year. |

| 4 | Reason/s for recommendation |
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| 4.1 | It is recommended in this report that the focus of consultation and implementation be on those options intended to improve the customer journey and reduce customer contact and the burden of evidence requirement, specifically the following:<br>• Reducing the capital threshold to £10,000 and abolishing tariff income (Option 4)<br>• Introducing a fixed rate deduction of £7.40 for non-passported non-dependants (Option 5)<br>• Streamlining the claim process (Option 6)<br>• Increasing tolerance for Universal Credit data re-assessments (Option 7). |
| 4.2 | Options 1,2, and 3 are not recommended for consultation and implementation for the reasons previously outlined in this report. |

## Appendices

| Appendices: | |
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| **Appendix A** | Options 2 and 3 Financial Implications |

| Background reference papers: |
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| **None.** |