EASTSUFFOLK
COUNCIL

# CABINET

## Tuesday, 04 January 2022

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| **Subject** | East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23 |
| **Report by** | Councillor Maurice Cook<br>Cabinet Member with responsibility for Resources |
| **Supporting Officer** | Brian Mew<br>Chief Finance Officer and Section 151 Officer<br>Brian.mew@eastsuffolk.gov.uk<br>01394 444571<br>Adrian Mills<br>Head of Benefits and Council Tax Billing, Anglia Revenues Partnership (ARP)<br>Adrian.Mills@angliarevenues.gov.uk<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:** |
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| 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) carried out the annual review of the 2021 scheme and a range of options were considered by the Cabinet at its meeting on 7 September 2021. Cabinet approved that a consultation be undertaken on the following proposed amendments to the East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23:<br>- Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income.<br>- Introducing a fixed rate reduction of £7.40 for non-dependants.<br>- Further streamlining the claim process.<br>- Increasing the tolerance for Universal Credit data re-assessments from £65 per month to £100 per month |

| **Recommendation/s:** |
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| That the Proposed East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23 attached as Appendix C, incorporating the proposals outlined in this report, be recommended to Full Council. |

## Corporate Impact Assessment

| **Governance:** |
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| None arising directly from this report. |
| **ESC policies and strategies that directly apply to the proposal:** |
| East Suffolk Local Council Tax Reduction Scheme (LCTRS) |
| **Environmental:** |
| None. |
| **Equalities and Diversity:** |
| 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:** |
| Although primarily focussed on improving the customer journey, if implemented, the recommended proposals are estimated to generate savings to the East Suffolk Collection |

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| 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:** | A short consultation exercise took take place from 25 October to 26 November 2021. This survey elicited 104 responses.<br>The consultation took the form of an online survey, asking stakeholders for their views on the proposals and any unforeseen impacts. The link to the survey was sent to all Members; made available on the Council and ARP websites; and sent to stakeholders working with individuals who are likely to be affected by the proposals or who represent residents with a protected characteristic, for example, CAB, debt and money management services and local disability groups. Major preceptors were consulted on the proposals by letter. The results of the survey are referred to in the relevant sections of this report, and are shown in summary in Appendix A. |

## Strategic Plan Priorities

| **Select the priorities of the Strategic Plan which are supported by this proposal:**<br>*(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 | ☒ | ☐ |

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| 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 |

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| | 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. |
| 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. Full Council will consequently consider the recommendations of the Cabinet at the meeting on 26 January 2022. |
| 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 | Anglia Revenues Partnership have reviewed the scheme and identified further improvements that could be made. A range of options were considered by the Cabinet at its meeting on 7 September 2021. |

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| 3.2 | Cabinet approved that a consultation be undertaken on the following proposed amendments to the East Suffolk Local Council Tax Reduction Scheme (LCTRS) for 2022/23:<br><br>- Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income.<br>- Introducing a fixed rate reduction of £7.40 for non-dependants.<br>- Further streamlining the claim process.<br>- Increasing the tolerance for Universal Credit data re-assessments from £65 per month to £100 per month |
| 3.3 | **Proposals**<br>The proposed changes to the East Suffolk Local Council Tax Reduction Scheme that should take effect from 1 April 2022 are as follows. If implemented, these changes would affect:<br><br>1. the threshold for how much capital a customer can own (for example, savings) and still be entitled to a Council Tax reduction<br>2. the impact that living with non-dependent adult friends or family members has on the Council Tax reduction that a customer receives<br>3. the relationship between the application processes for Universal Credit and for Local Council Tax Reduction<br>4. the way in which fluctuations in a customer's earnings are taken into account in LCTRS |
| 3.4 | **Proposal 1**<br>It is proposed to lower the 'capital threshold' for Local Council Tax Reduction from £16,000 to £10,000 and remove the requirement to pay a tariff on savings over £6000. |
| 3.5 | The capital threshold is the amount of capital (for example, savings) that a customer can own and still receive a reduction on their council tax. This proposal is intended both to ensure support is focused on those customers who most need it and also to remove the need for customers to provide evidence (where there is an over £250 change to their capital) of their capital in order for 'tariff income' to be calculated. ('Tariff income' is a measure that the Government uses for all benefits to calculate how much income a customer could theoretically earn from their capital, even if they don't earn it). |
| 3.6 | **Impact of Proposal 1**<br>This proposal 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><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. |

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| 3.7 | Modelling suggests that this proposal would have the following impact on customers:<br><br>Customers with capital above £10,000 will no longer be entitled to LCTRS. This represents 91.5% of every council tax band. These customers would re-enter LCTRS if their capital fell below £10,000. ARP would also have the discretion to use its discretionary hardship funding to support individuals facing difficulties.<br><br>Simplification would enable us to provide quicker decisions to such customers as the need to manually calculate tariff income would be removed. This option has potential savings of around £17,000. It is estimated that 13 customers would gain under this option with 22 losing.<br><br>The results from East Suffolk Council's Consultation show that of the respondents 58.83% were in favour of the proposed changes to the capital rules. This survey detailed that 21.56% disagreed with the proposals and 19.61 % did not know. |
| 3.8 | **Proposal 2**<br><br>It is proposed to set a fixed deduction of £7.40 on the amount of Council Tax reduction a customer on 'non-passported benefits' (see definition below) is entitled to if they live with non-dependent adult family members or friends. Currently, the amount of deduction must be calculated individually and can cause problems when the non-dependent family members or friends refuse to, or forget to, let the customer know about changes in their circumstances. |
| 3.9 | Non-passported benefits is a DWP term. 'Passported' means people in receipt of DWP prescribed benefits; the income-based elements of Income Support, Jobseekers Allowance and Employment Support Allowance for whom a council does not have to undertake a separate means-tested exercise and evidence gather to determine Council Tax Support or Housing Benefit. 'Non passported' means a council must undertake that separate exercise, usually because people have earnings/income exceeding those benefit thresholds. 'Passported' customers automatically receive full Council Tax Support up to the non-contribution rate (91.5% for WS residents) or full Housing Benefit whilst non-passported customers will have to make some contribution towards the 91.5% charge of their Council Tax; both cohorts must pay the minimum 8.5% as required within East Suffolk's scheme. |
| 3.10 | **Impact of Proposal 2**<br><br>The proposed change would speed up benefits claims and reduce the number of adjustments needed every time an adult household member's income changed, would provide certainty over LCTRS entitlement, and would also reduce the potential for mistakes which can lead to arrears. Customers who are entitled to a severe disability premium would not be affected by this change and would continue to be exempt from non-dependent deductions |
| 3.11 | This proposal would result in:<br><br>• Reduced burden on customer and evidence requirements<br><br>• Reduced number of claim adjustments as there would be no requirement to notify changes in non-dependent income. This is something the customer is not always aware of or able to obtain verification of themselves |

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| | • The functionality to verify and receive automatic income updates from DWP and HMRC does not extend to non-dependents 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><br>• More streamlined customer experience and quicker processing times for Universal Credit claims as DWP do not gather details of non-dependents' income and the responsibility on the Local Authority to obtain this missing information delays claim processing<br><br>• Harmonisation with Universal Credit where there is already a flat-rate non-dependent deduction<br><br>Delays in and failure to provide non-dependent 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 ARP's ability to increase automation and provide decisions to customers in one day would be extended to those with non-dependents, as the need to request follow up details would be removed |
| 3.13 | Modelling suggests that this proposal would have the following impact on customers:<br><br>There are likely to be 223 who will be better off because of this change and 392 customers who would receive less benefit.<br><br>Meanwhile, there would be a much-reduced risk of incorrect LCTRS awards and arrears, due to the fixed rate. |
| 3.14 | The consultation carried out by East Suffolk resulted in 65.85% agreeing with the proposal for a fixed deduction. With only 6.1% disagreeing. The remainder did not know.<br><br>Of the respondents 70% agreed that £7.40 was the right amount for this fixed deduction. |
| 3.15 | **Proposal 3**<br><br>East Suffolk Council is proposing to simplify the application process for LCTRS by requiring all customers to apply to DWP rather than direct to the local authority. Whereas previously, customers submitted separate claims for LCTRS, the proposals would mean customers would in future only need to apply for benefits through DWP, who will automatically notify ARP if someone is eligible for LCTRS. |
| 3.16 | **Impact of Proposal 3**<br><br>This proposal is expected to minimise customer engagement, improve speed of administration and improve processing times for customers by:<br><br>• Clarifying the customer journey by removing any confusion that a separate claim is required<br>• Reducing customer burden to provide evidence through making a non-UC claim<br>• Removing requirement for both DWP and ARP to verify same income details<br>• Maximising customer income by signposting customers to claim Universal Credit |

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| | • Makes full use of DWP data share functionality<br><br>There will be no financial impact on customers. Customers who complete a contact form will be advised to complete a Universal Credit application form, which will automatically trigger an application for LCTRS. There will be a fallback option where in exceptional circumstances, a customer could still apply direct to ARP.<br><br>The results of East Suffolk Council's Consultation Survey show that 67.11% are in favour of this proposal, 18.42% of respondents did not know and 14.48% disagreed. |
| 3.17 | **Proposal 4**<br><br>The Council is proposing to adjust the current rule whereby customers' income can vary up to £65 a month (£15 a week) before a reassessment is required, to £100 a month. Since the £65 threshold was introduced in 2020, ARP have seen a significant reduction in adjustment notifications, direct debit amendments and refunds. It has also given customers greater certainty to enable them to manage their payments and household budgets. |
| 3.18 | A review of the current rule suggests that if the threshold was increased from £65 to £100 a month, it would further improve financial certainty for customers and streamline the process. |
| 3.19 | ARP will continue to have discretion to review exceptional cases and override the rule, however, this has not been necessary since the £65 threshold was introduced, because most cases have monthly fluctuations which even out any impact over the course of a year. |
| 3.20 | **Impact of Proposal 4**<br><br>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. |
| 3.21 | 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. |
| 3.22 | 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. |
| 3.23 | 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. |
| 3.24 | 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 |

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| | review exceptional cases we will be able to override the rule in the case of a single beneficial change being reported. However, ARP 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.<br><br>The East Suffolk Consultation Survey contains results that 82.67 % of respondents are in favour of this proposal with only 2.67% disagreeing and 14.67% who do not know. |

| 4 | Reason/s for recommendation |
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| 4.1 | These proposed changes are expected to streamline a customer journey; provide certainty and consistency of entitlement; reduced information requirements for customers; and enhance the use of DWP and HMRC data. |

## Appendices

| Appendices: | |
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| **Appendix A** | East Suffolk Council Consultation Survey – Summary of Responses |
| **Appendix B** | Equalities Impact Assessment |
| **Appendix C** | East Suffolk Council Proposed Local Council Tax Reduction Scheme 2022/23. |

| Background reference papers: |
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| None |