

TITLE: LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS) FOR 2022/23

Committee: Finance and Assets Committee

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[W134]

1. ISSUE

1.1 To review the 2021/22 scheme and consider options for the Local Council Tax Reduction Scheme (LCTRS) for 2022/23.

2. RECOMMENDATION

2.1 Committee is asked to recommend to Full Council that the changes detailed in this report be approved and thus to amend East Cambridgeshire District Council's Local Council Tax Reduction Scheme 2022/23 by:

- 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.

3. MATTERS TO CONSIDER

3.1 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme for the forthcoming year this must be decided by 11th March.

3.2 Where Councils seek to amend their scheme, it is necessary to consult preceptors and stakeholders along with a consultation to inform a final scheme design by 28th February.

3.3 The current East Cambridgeshire District Council 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.

3.4 A statutory scheme applies to Pensioners who can receive up to a maximum 100% reduction of their Council Tax bill.

4. BACKGROUND

- 4.1 We are now in the ninth year of LCTRS; a locally set scheme that replaced the previous national Council Tax Benefit (CTB) scheme from April 2013.
- 4.2 In 2013/14 the Council took advantage of a one-off Government grant that compensated in part for the reduction in Government funding for the Working Age scheme that year. This meant that the maximum LCTRS awarded was the 91.5%.
- 4.3 For 2014/15 to 2017/18 the Council retained the original scheme, 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.
- 4.4 For the 2018/19 scheme the Council approved and introduced a proposal to harmonise the scheme with DWP welfare reforms introduced for Housing Benefit and LCTRS for Pensioners and introduced closer links to Universal Credit data share for claims, thereby removing the requirement to make a separate claim.
- 4.5 For 2019/20 the Council kept the same scheme as for 2018/19.
- 4.6 For 2020/21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit (UC). 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.
- 4.7 For 2021/22 there were no changes implemented and the 2020-21 scheme was retained.

5.0 PROPOSALS

- 5.1 The proposed changes to the East Cambridgeshire District Council Local Council Tax Reduction Scheme that should take effect from 1st April 2022 are as follows. If implemented, these changes would affect:
- The threshold for how much capital a customer can own (for example, savings) and still be entitled to a Council Tax reduction
 - The impact that living with non-dependent adult friends or family members has on the Council Tax reduction that a customer receives
 - The relationship between the application processes for Universal Credit and for Local Council Tax Reduction
 - The way in which fluctuations in a customer's earnings are taken into account in LCTRS.

PROPOSAL 1

5.2 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 £6,000.

5.3 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 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).

5.4. IMPACT OF PROPOSAL 1

This proposal would result in:

- A simplified scheme reducing the burden on customer and evidence requirements
- A reduced number of claim adjustments as there would be no requirement to notify changes in capital of £250 or more
- More streamlined customer experience and reduced processing times for universal credit claims as tariff income details are not provided in DWP data share records

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.

5.5 Modelling suggests that this proposal would have the following impact on customers

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.

Simplification would enable us to provide quicker decisions to such customers as the need to manually calculate tariff income would be removed. It is estimated that seven customers would gain under this option with eleven customers paying more Council Tax. This option will have no financial cost to the Council and is estimated to reduce the reliefs provided by £11,171.

If the Council were to remove the tariff income but retain the current capital limit of £16,000 this would result in seven customers receiving more benefit with an estimated cost to the Council of £953.

5.6 PROPOSAL 2

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.

- 5.7 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%) 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 Cambridgeshire's scheme.
- 5.8 The proposed change would speed up benefits claims and reduce the number of adjustments needed every time an adult household member's income changes, 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.
- 5.9 This proposal would result in:
- Reduced burden on customer and evidence requirements
 - 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
 - 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
 - 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 Council to obtain this missing information delays claim processing

- Harmonisation with Universal Credit where there is already a flat-rate non-dependent deduction

Delays in and failure to provide non-dependent income details results in incorrect LCTRS awards, often impacting Council Tax collection and arrears.

5.10 An administrative consequence of this proposal would be that Anglia Revenue Services (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.

5.11 Modelling suggests that this proposal would have the following impact on customers:

There are likely to be 94 who will be better off because of this change and 92 customers who would receive less benefit.

Meanwhile, there would be a much-reduced risk of incorrect LCTRS awards and arrears, due to the fixed rate.

5.12 PROPOSAL 3

East Cambridgeshire District Council is proposing to simplify the application process for LCTRS by requiring all customers to apply to DWP rather than direct to the Council. 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.

5.13 IMPACT OF PROPOSAL 3

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 require
- Reducing customer burden to provide evidence through making a non-UC claim
- Removing requirement for both DWP and ARP to verify the same income details
- Maximising customer income by signposting customers to claim Universal Credit
- Makes full use of DWP data share functionality

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.

5.14 PROPOSAL 4

- 5.15 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.
- 5.16 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.
- 5.17 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.

5.18 IMPACT OF PROPOSAL 4

- 5.19 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.
- 5.20 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.
- 5.21 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 them to manage their payments and household budgets, with it being well received and working as expected.
- 5.22 The introduction of a fluctuating earnings rule has been particularly beneficial given the significant increase in the Covid-19 workload for ARP, 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.
- 5.23 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, 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.

6. **ARGUMENTS / CONCLUSIONS**

Consultation exercise

- 6.1 The consultation commenced on Friday 15th October 2021 and concluded on Sunday 28th November 2021. As the changes proposed were relatively small, this period of consultation was considered appropriate.
- 6.2 The Consultation was available on the Council's and ARP's websites with, in addition, to get as much interest as possible, everyone on the Council's Register of Consultees that had expressed an interest in 'corporate issues' and 'housing and homelessness', the consultees on a list provided by ARP and the Council's major preceptors all being notified direct where to find the consultation document.

Consultation Results

- 6.3 Nine responses were received to the consultation. All responses were anonymous, so it is unknown who completed them.
- 6.4 Each of the responders answered questions on each of the four proposals:
- 33.3% of respondents agree or strongly agree with the proposed capital rules changes, 33.3% disagree / strongly disagree and 33.3% were not sure. The not sure respondents did not add any comments as to why they were unsure of this proposed change.
 - 55.44% of respondents agreed or strongly agree with the proposed fixed rate non-dependent deduction, 11.1% disagree / strongly disagree and 33.33% were unsure.
 - 66.6% of respondents agree or strongly agree with the simplification of the CTRS application process while 33.3% disagree / strongly disagree with the proposal.
 - 77.7% of respondents agree or strongly agree with increasing the amount used within the tolerance rule with 22.2% either disagree or strongly disagree with the proposal.

Conclusion

- 6.5 The consultation exercise resulted a relatively small response. Most respondents agree or strongly agree with the proposals except the capital changes as all three answers received the same percentage.

6.6 Members are asked to recommend to Full Council at its meeting planned for the 24th February 2022 to adopt the changes detailed.

7.0 **FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT**

Financial

7.1 The recommendations in this paper will not have a material impact on the Council Tax collected by the Council, this as the recommendation is to leave the non-relief discount at 8.5%.

Equality

7.2 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.

7.3 A Carbon Impact Assessment is not required.

8.0 **APPENDICES**

Appendix A – East Cambridgeshire District Council Survey
Appendix B - East Cambridgeshire District Council CTRS Scheme Consultation responses.

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Finance & Assets Committee meeting, 5 th Oct 2021, Agenda Item 6: "Local Council Tax Reduction Scheme (LCTRS) For 2022/23"	Room 104 The Grange Ely	Ian Smith Finance Manager & Section 151 Officer Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk

East Cambridgeshire District Council CTRS Consultation Survey Results

	Proposal 1 Capital changes East Cambridgeshire District Council is proposing 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.	Proposal 2 Fixed deduction. East Cambridgeshire District Council is proposing to set a fixed deduction on the amount of Council Tax reduction a customer is entitled to if they live with non-dependent adult family members or friends. At the moment, the amount of deduction has to be calculated individually and can cause problems when the non-dependent family member or friend refuse to, or forget to, let the customer know about changes in their circumstances.	Proposal 3 Simplify LCTRS application process East Cambridgeshire District Council is proposing to simplify the application process for LCTRS by requiring all customers to apply to DWP rather than direct to the Council. 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.	Proposal 4 Increase tolerance rule from £65 to £100 a month 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.
Strongly agree	22.2%	11.1%	22.2%	33.3%
Agree	11.1%	44.44%	44.4%	44.4%
Unsure	33.33%	33.33%		
Disagree	11.1%		11.1%	
Strongly disagree	22.2%	11.1%	22.2%	22.2%

(9 Responses)

Appendix B: Responses to consultation on proposed changes to East Cambridgeshire District Council Local Council Tax Reduction Scheme 2022/23

	Question	Consultees' responses	East Cambridgeshire District Council response
1	<p>Proposal 1. Do you agree with the proposal 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 £6,000?</p>	<p>Agree – 3, Don't know - 3, Disagree – 3</p> <p>The respondent who disagreed said:</p> <p>"Customer purses already being squeezed by other increases n essential goods/services including Council Tax rates"</p> <p>"People are encouraged to save for various reasons; essential maintenance work or home improvements or a new vehicle to get to work as public transport is so poor in rural areas. Then if you lose your job and need to claim benefits, this money is taken into account and either works or purchases can no longer happen and £16,000 is not last very long"</p> <p>"Reduction in Council Tax should not be 'wealth' dependent but based purely on personal circumstances, such as sole occupancy or the like"</p>	<p>This change is specifically intended to help simplify the scheme, improve the customer experience, reduce the need for reporting changes to capital of £250 or more and the burden of evidence provision. It also ensures we target 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 As with all means tested schemes there is a level where customers' savings or income results preclude assistance. If customers savings decrease below this level £10,000 a customer may make a further claim for LCTRS assistance.</p> <p>Discounts and exemptions do exist which are based on criteria such as sole or main resident, disability, or student status. Council Tax Reduction Support has since its inception been a means tested scheme, as was the scheme's precursor Council Tax Benefit</p>

	Question	Consultees' responses	East Cambridgeshire District Council response
2	<p>Proposal 2. Do you agree with the proposal to set a fixed deduction for customers with non-dependent adult friends or family members in the same household?</p>	<p>Agree – 5, Unsure – 3, Disagree – 1</p> <p>The respondents who disagreed said:</p> <p>“Only reason to revise it is to decrease allowance to customers - everyone’s situation is different and by not looking at their individual circumstances”</p> <p>“No reason to use a fixed rate”</p>	<p>The proposal is to retain a nil deduction for non-dependents in receipt of passported benefits (or UC with no earnings) but introduces a fixed rate deduction of £7.40 for other non-dependents.</p> <p>We would also retain the existing protections for customers in receipt of disability benefits meaning they would be exempt from any deductions (regardless of their non-dependent’s circumstances):</p> <p>Deductions are not made if a resident or residents partner:</p> <ul style="list-style-type: none"> • are receiving attendance allowance • are registered as blind • are receiving <u>Disability Living Allowance</u> (the care component) • are receiving the <u>Personal Independence Payment</u> (the daily living component). <ul style="list-style-type: none"> • A fixed deduction reduces the burden on customer to continually provide and evidence and updated wage information.

	Question	Consultees' responses	East Cambridgeshire District Council response
3-4	Based on data about average deductions for current claimants, the council is proposing a fixed rate deduction of £7.40 for claimants whose benefits are not 'passportred'. Do you agree that this is the right amount?	<p>"Too high"</p> <p>"Too low"</p> <p>"Because you have not explained whether the £7.40 is a weekly, monthly or annual deduction and i have to press buttons to get to a comment box. If the deduction is annual, there is going to be a lot of adjusting required for little gain"</p>	<p>The nil deduction will apply to those on passported benefits including those on UC with no earnings.</p> <p>It is anticipated that there will be less 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</p>
5	<p>Proposal 3. Do you agree with the proposal to simplify the application process for LCTRS by requiring all customers to apply to the Department for Work and Pensions (DWP) rather than direct to the Council? 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 the LCTRS.</p>	<p>Agree – 6, Disagree – 3.</p> <p>"DWP will be swamped by applications to the detriment of the customer"</p> <p>"The DC charge for Council Tax and therefore any reduction should be their decision alone. The DWP should not be involved as they cannot be relied upon to notify ARP if someone is eligible, and it will be more difficult for the person to track the process. In any case, DWP is always something of a blackhole and not easy to contact"</p> <p>"Which is more effective in providing relief for people in low income circumstances. I would say ECDC rather than DWP and therefore citizens will be better protected by ECDC handling applications"</p>	<p>We are not placing any additional pressure on DWP – we already receive data for new UC claimants directly from DWP and treat this as a new claim in its own right (removing the need for a duplicate claim via the LA). This change is to help reduce the number of duplicate claims still received.</p> <p>This change will mean that we only accept new claims via our website from those in receipt of legacy benefits or war pensions. Anyone else will be signposted to claim UC in the first instance or advised that they do not need to complete a form if they have claimed UC already and are waiting its outcome. The numbers we will be signposting are minimal with modelling showing we would only signpost around four customers per quarter and three of these would have qualified for</p>

	Question	Consultees' responses	East Cambridgeshire District Council response
			<p>UC so we would be helping maximise their income.</p> <p>Anyone already in receipt of UC or who has previously made an unsuccessful claim for UC will be able to make a quick and easy re-claim via a short declaration form on our website.</p> <p>We will still provide customer assistance with eligibility questions etc.</p>
6	<p>Proposal 4. Do you agree with the proposal to increase the threshold for income changes that affect Local Council Tax Reduction from £65 to £100?</p>	Agree – 7, Disagree – 2,	
7	Anything else about the proposals.		

