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

Committee: Finance and Assets Committee

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[W70]

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 To approve that the Council moves forward with a consultation on the changes to the LCTRS scheme for the 2022-23 year, with the consultation being based on the recommendations detailed in section six of this report.

3. BACKGROUND / OPTIONS

3.1 Each year the Council is required to review its Local Council Tax Reduction Scheme (LCTRS). This report provides an annual review of the 2021 scheme and provides several options to consider in relation to recommendations for scheme amendments for 2022/23.

3.2 This is now the ninth year of LCTRS; a locally set scheme that replaced the previous nationally set Council Tax Benefit (CTB) scheme from April 2013.

3.3 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%. 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.

3.4 For the 2018-19 scheme the Council consulted on 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. This was subsequently approved and introduced. The Council retained this scheme in 2019/20.

3.5 For 2020/21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit (UC). A weekly tolerance level of £15 (£65 per month) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received. No further changes were made for the 2021-22 scheme when the 2020/21 scheme was retained.

4. MATTERS TO CONSIDER

4.1 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 11th March of the preceding financial year.

4.2 Where councils decide that they wish to amend their schemes they need to consult preceptors and stakeholders prior to a wider consultation to inform a final scheme design by 28th February of the preceding financial year and the final report will need to be submitted to Finance and Assets Committee in January 2022.

4.3 The current East Cambridgeshire 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.

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

5. SCHEME REVIEW

5.1 The Council could determine to retain the 2021/22 scheme in its current form for 2022/23. However, as no changes were made last year, there are a number of options to consider to potentially implement, these are detailed below.

Options to consider - Financial Savings

5.2 **OPTION 1 -** Increasing the contribution rate to more than 8.5%.

The potential savings to the collection fund to be realised by increasing the minimum contribution rate to 10%, 15% or 20% and the number of claimants affected are detailed below:

Options	Saving	Customers gaining	Customers with reductions
Increase in liability to 10%	£43,638	none	2261
Increase in liability to 15%	£184,708	none	2261
Increase in liability to 20%	£324,566	none	2261

5.3 However, it is forecast that the 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 many cases we would be unable to recover the debt in year by deduction from DWP benefits and therefore this is not recommended.

5.4 If this option was proposed it should be noted a 12-week consultation period would be required.

5.5 **OPTION 2** - Cap LCTRS entitlement to Band D liability.

This would realise savings to the Collection Fund of around £29,196 per year and would result in 63 customers who reside in Band E properties or higher having their liability calculated on the cap at Band D. A breakdown of those affected is shown below:

Option	Saving	Customers gaining	Customers with reductions
Cap LCTRS entitlement to Band D liability	£29,196	none	63

Options to consider - Improving the Customer Journey

5.6 **OPTION 3** - Reduce the capital threshold from £16,000 to £10,000 and abolish tariff income.

This option would result in:

- A simplified scheme reducing the burden on customer and evidence requirements
- Reduce the 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

5.7 Simplification would enable us to provide quicker decisions to customers as the need to manually calculate tariff income would be removed.

5.8 This option focuses on improved customer journey and although indicating some savings it is likely to be relatively cost neutral as detailed in the table below:

Option	Saving	Customers gaining	Customers with reductions
Capital upper threshold £10,000 with no tariff income	£11,171	7	11

5.9 **OPTION 4** – Introduce a Fixed Rate Non-Dependant Deduction.

This option 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-dependant 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-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
- 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.

5.10 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.

5.11 We would retain existing protections for customers entitled to a severe disability premium meaning they would continue to be exempt from non-dependant deductions.

5.12 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:

Options	Saving	Customers gaining	Customers with reductions
Fixed non-dep deduction £5.30 for all non-dependants	-£8,962	77	119
Fixed non-dep deduction to £7.40 for those not passported	£3,151	94	92

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

5.13 **OPTION 5 –** Streamlining the Claim Process

5.14 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.

5.15 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

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 ourselves to verify the same income details
- Maximising customer income by signposting customers to claim Universal Credit
- Makes full use of DWP data share functionality.

5.16 Data analysis undertaken for the first quarter of this financial year has identified only three customers have applied directly to the Council without being in receipt of a legacy benefit or UC or whilst also making a fresh claim for UC at the same time. Implementing this change would signpost all these 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 the Council for LCTRS.

5.17 **OPTION 6 – I**ncrease Tolerance for Universal Credit Data Re-assessments

5.18 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.

5.19 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

5.20 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. This change has been well received and is working as expected.

5.21 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 the previous year, before reducing to 200% and now starting to return to normal levels.

5.22 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.

6. OPTION RECOMMENDATIONS

6.1 It is recommended to focus on the customer journey options and consider implementation of:

- Reducing the capital threshold to £10,000 and abolish tariff income
- Introducing a fixed rate deduction of £7.40 per week for non-passported non-dependants
- Streamlining the claim process
- Increasing tolerance for Universal Credit data re-assessments

These options are recommended to improve the customer journey and reduce customer contact and the burden of evidence requirement. The expected benefits for each individual change is detailed against each option for consideration.

7. STAKEHOLDERS / CONSULTATION / TIMESCALES

7.1 If it is agreed to move forward with the recommendations proposed in section six of this report, a consultation exercise will need to take place in the Autumn with a consultation period of six weeks.

7.2 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.

8. FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

8.1 The potential changes in Council Tax receipts (the financial implications of this paper) are detailed within the body of this report.

8.2 An Equality Impact Assessment (INRA) is not required to move forward with the consultation, but will be needed before a final paper is brought back to Committee considering the results of the consultation and a final decision made as to what changes should be recommended to Full Council to approve.

8.3 Carbon Impact Assessment (CIA) not required.

Background Documents	Location	Contact Officer
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