

Review of the Local Council Tax Reduction Scheme 2022-2023 and Decision to Consult

Report number:	CAB/WS/21/044	
Report to and date:	Portfolio Holder Decision	22 September 2021
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Decisions Plan:

Notice of Intention providing the purpose of the decision and the date in which the decision is expected to be made has been published on 14 September 2021.

Wards impacted: **All Wards**

Recommendation: **It is recommended to the Portfolio Holder for Resources and Property, that the West Suffolk Local Council Tax Reduction Scheme for 2022-2023 is reviewed in line with the:**

- 1. Proposals outlined in Section 2 of Report number CAB/WS/21/044; and that**

- 2. Relevant consultation is undertaken, in accordance with Section 4 of Report number CAB/WS/21/044.**

1. Context to this report

- 1.1 Each year the Council is required to consider whether to review its Local Council Tax Reduction Scheme (LCTRS). This report advises about the conclusion of the 2021 annual review of and the resultant proposals for consultation for changes to the LCTRS scheme to take effect from April 2022.
- 1.2 Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined that the existing scheme should be retained without any changes, this must be decided by 11 March of the preceding year.
- 1.3 Where councils seek to amend their schemes, it will be necessary to consult preceptors and stakeholders prior to a wider consultation to inform a final scheme design by 28 February of the preceding year. Therefore, work on any amendments needs to start in the summer to allow sufficient time to consult, approve and implement changes prior to 28 February 2020.
- 1.4 The current West 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.
- 1.5 By setting the amount payable at 8.5% of the charge, in most cases, where a customer is not paying, we can effect 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.
- 1.6 The current scheme was approved by Cabinet and Council in November and December 2020 (respectively). No changes were made to the 2020-21 scheme.
- 1.7 The changes made to the current scheme since its introduction in 2013 have worked well. A further change was agreed for the 2019-20 scheme, whereby a tolerance rule for the treatment of Universal Credit awards reduced the number of notifications customers receive to amend their council tax payments and provided stability for customer repayments whilst reducing customer contact.

2. **Proposals within this report**

2.1 The proposed changes to the West Suffolk Local Council Tax Reduction Scheme that would take effect from 1 April 2022 are as follows. If implemented, these changes would affect:

1. the threshold for how much capital a customer can own (for example, savings) and still be entitled to a Council Tax reduction
2. the impact that living with non-dependent adult friends or family members has on the Council Tax reduction that a customer receives
3. the relationship between the application processes for Universal Credit and for Local Council Tax Reduction
4. the way in which fluctuations in a customer's earnings are taken into account in LCTRS

The main driver for these changes is a streamlined customer journey; certainty and consistency of entitlement; reduced information requirements on customers; and better use of DWP and HMRC data.

2.2 **Proposal 1**

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.

2.3 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 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).

2.4 **Impact of proposal 1**

This proposal would result in:

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

2.5 Simplification would enable ARP to provide quicker decisions to such customers as the need to manually calculate tariff income would be removed. 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.

2.6 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 (estimated 63 individuals). 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.

Customers who gain receive on average of £61.72 more LCTRS each year ranging from £10.40 to £145.60 (estimated 13 individuals).

2.7 **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. At the moment, the amount of deduction has to 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.

2.8 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 WS's scheme.

2.9 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.

2.10 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 Local Authority 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.

2.11 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.

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

For customers with a £7.40 deduction those that gain (around 109 people) will receive on average an additional £213.04 each year. This range is between £46.80 and £525.20. For customers with a £7.40 deduction and have reductions (around 126 people) the average decrease is £182.83 This range is between £174.20 and £522.60.

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

ARP will offer the 126 customers adversely affected Emergency Hardship Payment to help bridge the gap during the first year.

2.13 **Proposal**

West 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.

2.14 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 required
- Reducing customer burden to provide evidence through making a non-UC claim
- Removing requirement for both DWP and ARP to verify 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.

2.15 Proposal 4

2.16 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.

2.17 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.

2.18 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.

2.19 Impact of proposal 4

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.

2.20 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

- 2.21 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.
- 2.22 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.
- 2.23 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.

3. Alternative options that have been considered

- 3.1 Two further options were considered. These were a) increasing the contribution rate to more than 8.5%; and b) capping LCTRS entitlement to Band D liability.
- 3.2 For both options, the possible increase in council tax collected for the Council is considered to be less than the additional costs of recovery (additional staff, postage and enquiries to customer services), including the inability to recover the debt in year by deduction from DWP benefits and therefore this is not recommended.

4. Consultation and engagement undertaken

- 4.1 As it is proposed to revise the West Suffolk LCTRS in line with Section 2 above, a short consultation exercise will take place from early October to early November 2021.
- 4.2 The consultation will take the form of an online survey, asking stakeholders for their views on the proposals and any unforeseen impacts. The link to the survey will be 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.

4.3 Preceptors will also be consulted on the proposals by letter.

5. Risks associated with the proposals

5.1 Reduced customer notifications and contact and stable Council Tax repayment arrangements for customers doesn't materialise – modelling suggests that this wouldn't be the case.

6. Implications arising from the proposals

6.1 Financial

1. Reduced customer notifications and contact, and stable council tax repayment arrangements for customers.
2. It is possible that in some cases, the actual amount of council tax discount payable to a customer will be slightly less under the changes proposed, for example in proposal 4. On the other hand, customers will benefit from greater certainty about their finances, and less need to take action to make balance payments.

7. Appendices referenced in this report

7.1 None

8. Background documents associated with this report

8.1 [Decision - Local Council Tax Reduction Scheme \(LCTRS\) for 2020 - 2021: Decision Sought to Consult on Proposed Revisions to Existing Scheme \(westsuffolk.gov.uk\)](#)