

West Suffolk Local Council Tax Reduction Scheme (LCTRS): 2022 to 2023

Report number:	CAB/WS/21/058	
Report to and dates:	Cabinet	7 December 2021
	Council	14 December 2021
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Decisions Plan: **The decision made as a result of this report will usually be published within 48 hours. This item will be referred to Council for a final decision and is, therefore, not subject to call-in. This item is included on the Decisions Plan.**

Wards impacted: **All Wards**

Recommendations: It is recommended that Cabinet:

- 1. reviews the Local Council Tax Reduction (LCTRS) Scheme for 2022 to 2023 as outlined in this report.**
- 2. agrees to recommend to Council to make the changes to the scheme outlined in section 2 of Report number: CAB/WS/21/058, and as detailed in Appendix C.**

1. Context to this report

- 1.1 Each year the Council is required to review its Local Council Tax Reduction Scheme (LCTRS). This report provides an annual review of the 2021 to 2022 scheme and proposes to make changes to the scheme for 2022 to 2023.
- 1.2 We are now in the ninth year of LCTRS; a locally set scheme that replaced the previous nationally set Council Tax Benefit (CTB) scheme from April 2013.
- 1.3 In 2013 to 2014 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 per cent.
- 1.4 Since then, the West Suffolk scheme has developed in the following way:

2014 to 2018	Original scheme retained, except that allowances and premiums (the amounts of income from state-administered benefits such as Job Seekers' Allowance) were increased in line with other benefits such as Housing Benefit.
2018 to 2019	The Council consulted on a proposal to harmonise the scheme with Department for Work and Pensions (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.
2019 to 2020	2018 to 2019 scheme retained.
2020 to 2021	Introduction of 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 was received.
2021 to 2022	2020 to 2021 scheme retained

- 1.5 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.

- 1.6 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 28 February of the preceding financial year.
- 1.7 The current West Suffolk Working Age LCTRS scheme provides a maximum benefit of 91.5 per cent 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.
- 1.8 A separate statutory scheme applies to pensioners who can receive up to a maximum 100 per cent reduction of their Council Tax bill.
- 1.9 When reviewing the scheme in 2020 for the 2021 to 2022 year it was decided to retain the existing scheme into 2021 to 2022 as it was felt it would bring stability to customers' household budgets as they recovered or managed the impact of COVID-19. It was, however, agreed that a fuller review should be undertaken the following year to take into account learning from COVID-19, by considering a range of options for consultation, which has led to these proposals.
- 1.10 Anglia Revenues Partnership (ARP) have identified some further improvements that could be made, the main drivers for which are a streamlined customer journey; certainty and consistency of entitlement; reduced information requirements on customers; and better use of DWP and Her Majesty's Revenue and Customs (HMRC) data. These proposals are set out in section 2 of this report.
- 1.11 A portfolio holder decision was taken on 22 September 2021 to consult on the proposals. The consultation ran from 4 October to 5 November 2021. Major preceptors have responded and were content with the proposals. Four responses were received to the consultation and the key points raised are covered in section 4.1 below.

2. Proposals

- 2.1 The proposed changes to the West Suffolk Local Council Tax Reduction Scheme that it is proposed should 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 (UC) and for Local Council Tax Reduction
4. the way in which fluctuations in a customer's earnings are taken into account in LCTRS

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 £6,000.

- 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 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.
- 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 per cent 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 discretionary hardship 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 or income exceeding those benefit thresholds. 'Passported' customers automatically receive full Council Tax Support up to the non contribution rate (91.5 per cent for West Suffolk residents) or full Housing Benefit, whilst non-passported customers will have to make some contribution towards the 91.5 per cent charge of their Council Tax; both cohorts must pay the minimum 8.5 per cent as required within West Suffolk'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 3**

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 UC
- 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**

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.

2.16 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.

2.17 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.

2.18 **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.

2.19 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.

2.20 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 to

them to manage their payments and household budgets, with it being well received and working as expected.

- 2.21 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 per cent increase compared to the same point last year, before reducing to 200 per cent and now starting to return to normal levels.
- 2.22 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, 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 per cent; 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 A short consultation exercise took place from 4 October to 5 November 2021.
- 4.2 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 councillors; 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.

- 4.3 Major preceptors did not raise any objection to the proposals. Four responses were received to the online consultation. The key points raised are addressed in the table below.
- 4.4 A table of the points raised in consultation and West Suffolk Council's response is attached at Appendix A. While each of the responses received is important and helpful in ensuring the scheme is properly designed without unintended consequences, it should be noted that the points raised came from just two respondents.

5. Risks associated with the proposals

- 5.1 The main risk to the Council of continuing with the current scheme is a loss in Council Tax income, if an appropriate balance is not struck between the setting of the contribution rate and the likely impact on customers' ability to pay. However, as outlined in the Alternative Options section above, it is considered that the current balance should be continued.

6. Implications arising from the proposals

6.1 Financial

The financial implications for customers are set out in the above sections.

The impact on Council Tax revenues is expected to be minimal. The proposals are likely to have a range of the following impacts, which are likely to offset one another in terms of their impact on overall revenue:

- Some small increases in contributions by Council Tax payers
- Some small decreases in contributions by Council Tax payers
- Some small increases in arrears where contributions are increased
- Some small decreases in arrears due to greater financial certainty
- Some small increases in Exceptional Hardship Payments
- Reductions in corrections in awards, leading to less likelihood of arrears

In each of the above cases, the number of customers affected, and therefore the revenue implications, are likely to be extremely small. The impacts will be monitored carefully throughout the year, in order to inform design of the 2023 to 2024 scheme.

Based on existing caseload the overall savings anticipated from the proposed changes is around £16,000.

6.2 **Legal Compliance**

The Council is proceeding in line with the relevant Government requirements for scheme renewal and consultation.

6.3 **Personal Data Processing**

No changes to how customers' personal data are collected and handled by West Suffolk Council are proposed.

6.4 **Equalities**

Groups representing individuals sharing a protected characteristic were sent the link to the consultation. No equalities issues were raised in response to the following consultation question: "Is there anything else you would like to tell us about these proposals, including any impacts they might have on particular groups, especially those who share a protected characteristic under the Equalities Act 2010?" An Equalities Impact Assessment is attached at Appendix B.

6.5 **Crime and Disorder**

The scheme will continue to be operated in line with the Council's and Anglia Revenues Partnership's Anti-Fraud and Anti-Corruption policies.

6.6 **Environment or Sustainability**

No impact

6.7 **HR or Staffing**

Continuing with the current scheme should minimise any additional impacts on Anglia Revenues Partnership staff.

6.8 **Changes to existing policies**

The new scheme will replace the 2021 to 2022 scheme from 1 April 2022.

6.9 **External organisations (such as businesses, community groups)**

We would not expect the proposals to have any new impacts on external organisations. No issues were raised by stakeholder groups during the consultation.

7. **Appendices referenced in this report**

7.1 Appendix A – Summary of consultation responses and West Suffolk Council responses to points raised.

7.2 Appendix B – Equalities Impact Assessment.

- 7.3 Appendix C – Draft West Suffolk Local Council Tax Reduction Scheme
[not attached in printed form - provided as an [electronic link](#) only]

8. Background documents associated with this report

- 8.1 [Decision - Review of the Local Council Tax Reduction Scheme 2022-2023 and Decision to Consult \(westsuffolk.gov.uk\)](#)