BRECKLAND DISTRICT COUNCIL

Report of: **Councillor Phillip Cowen, Executive Member Finance, Revenues & Benefits**

To: **Cabinet, 20th September 2021**

Author: **Adrian Mills, Head of Benefits & Council Tax Billing, ARP**

Subject: **Breckland Local Council Tax Reduction Scheme (LCTRS) for 2022 - 2023**

Purpose: **To review the 2021 scheme and consider options for the Local Council Tax Reduction Scheme (LCTRS) for 2022-23**

Recommendation(s):

1. To consider the annual review of the LCTRS scheme for the 2022-23 year and approve undertaking consultation on the options below, with a final report back to Cabinet in January to approve final scheme changes:
   - Option 3 - Reducing the capital threshold to £10,000 and abolish tariff income
   - Option 5 - Introducing a fixed rate deduction of £7.40 for non-passported non-dependants
   - Option 6 - Streamlining the claim process
   - Option 7 - Increasing tolerance for Universal Credit data re-assessments

1.0 Purpose

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.

2.0 Background

2.1 We are now in the nineth year of LCTRS; a locally set scheme that replaced the previous nationally set Council Tax Benefit (CTB) scheme from April 2013.

2.2 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%.

2.3 For 2014-2015 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.

2.4 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.

2.5 For 2019-20 the Council kept the same scheme as for 2018-19.

2.6 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.

2.7 For 2021-22 there were no changes implemented and the 2020-21 scheme was retained.

3.0 Matters to consider

3.1 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.

3.2 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 28 February of the preceding financial year and the final report will need to be submitted to Cabinet in January 2022.

3.3 The current Breckland 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 maximum100% reduction of their Council Tax bill.

4.0 Scheme review

4.1 The Council could determine to retain the 2021-22 scheme in its current form. However, as no changes were made last year, and it was decided that any further modelling of potential changes would be deferred for consideration this year, we have outlined several options below.

Options to consider - financial savings

4.2 **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%	£89,378	none	4,933
Increase in liability to 15%	£385,671	none	4,933
Increase in liability to 20%	£678,578	none	4,933

4.3 However, the possible 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 most cases we would not be able to recover the debt in year by deduction from DWP benefits and therefore this is not recommended, as detailed in Appendix A.

4.4 The impact of Covid-19 must also be considered, as we would expect that the impact on household budgets and rising unemployment would affect individuals' ability to pay into the 2022-2023 financial year.

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

4.6 **OPTION 2** - cap LCTRS entitlement to Band D liability.
This would realise savings to the Collection Fund of around £39,803 per year and would result in 73 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	£39,803	none	73

5 Options to consider - improving the customer journey

5.1 **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
- 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

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

5.3 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:

5.5 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.

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

5.7 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:

Option	Saving	Customers gaining	Customers with reductions
Capital upper threshold £10,000 with no tariff income	£12,584	20	15

5.8 **OPTION 4 -**reduce the capital threshold from £16,000 to £10,000 but retain tariff income
This option would result in

- Support would be provided to those most in need; those customers with less than £10,000 capital.
- Customers would still be required to provide proof of any capital between £6,000 and £9,999. The burden would remain with the customer to meet these evidence requirements.

- Processing times for universal credit claims would not be reduced as capital details would need to be requested as this information is not provided on DWP data share records

Option	Saving	Customers gaining	Customers with reductions
Capital upper threshold £10,000 retain capital tariff	£12,584	none	15

5.9 **OPTION 5 –** 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

Options	Saving	Customers gaining	Customers with reductions
Fixed non-dep deduction £5.30 for all non-deps	£12,064	228	122
Fixed non-dep deduction to £7.40 for those not passported	£3,447	121	123

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

5.10 **OPTION 6 –** Streamlining the claim process

5.11 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.

5.12 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

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

5.13 Data analysis undertaken for the first quarter of this financial year has identified only three customers have applied directly to the Local Authority 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 three 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 us for LCTRS.

5.14 **OPTION 7 –** increase tolerance for Universal Credit data re-assessments

5.15 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.

5.16 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

5.17 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.

5.18 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.

5.19 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. This enhancement would increase the current tolerance by a further £8.00 a week.

6.0 RECOMMENDATION

6.1 Our recommendation would be to focus on the customer journey options and consider implementation of:

- Option 3 - Reducing the capital threshold to £10,000 and abolish tariff income
- Option 5 - Introducing a fixed rate deduction of £7.40 for non-passported non-dependants
- Option 6 - Streamlining the claim process
- Option 7 - Increasing tolerance for Universal Credit data re-assessments

7.0 REASON FOR RECOMMENDATION

These options are recommended to improve the customer journey and reduce customer contact and the burden of evidence requirement.

8.0 EXPECTED BENEFITS

The expected benefits are detailed against each option for consideration

9.0 IMPLICATIONS

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

10.0 Stakeholders / Consultation / Timescales

If it is agreed to accept the proposals detailed in this report, a consultation exercise will need to take place in the Autumn with a consultation period of 6 weeks.

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.

10.1 An Equality Impact Assessment will be needed if changes are proposed

10.2 An Equality Impact Assessment is not required to retain the existing scheme.

11.0 WARDS/COMMUNITIES AFFECTED

11.1 All.

12.0 ACRONYMS

12.1 DWP – Department for Work & Pensions
12.2 HB – Housing Benefit
12.3 LCTRS – Local Council Tax Reduction Scheme
12.4 UC – Universal Credit

Background papers:	See the Committee Report Guide for guidance on how to complete this section

Lead Contact Officer

Name and Post: Adrian Mills, Head of Benefits & Council Tax Billing, ARP
Telephone Number: 07984 255437
Email: Adrian.mills@angliarevenues.gov.uk

Key Decision: No
Exempt Decision: No

This report refers to a Mandatory Service
Appendices attached to this report:
Appendix A: Recoverability of minimum liability % against DWP deductions