Agenda Item No:	**6**	Fenland CAMBRIDGESHIRE
Committee:	**Cabinet**	
Date:	**30 September 2021**	
Report Title:	**Council Tax Support – 2022/23 Scheme**	

Cover sheet:

1 Purpose / Summary

Each year the Council is required to review its Council Tax Support (CTS) Scheme. This report is to receive the recommendations of the Overview and Scrutiny Panel's consideration of the progress of the 2021 annual review and any resultant proposals for consultation for changes to the CTS scheme to take effect from April 2022.

2 Key issues

- The Overview and Scrutiny Panel met on 13 September 2021 to consider proposals for the CTS scheme to take effect from April 2022.
- The report as presented to Overview and Scrutiny Panel on 13 September 2021 is attached.
- The proposals recommended by the Overview and Scrutiny Panel include for the current 20% contribution rate to remain unchanged for the 2022-23 scheme.
- In addition, four changes to the current scheme were recommended for consultation, all of which will assist streamlining the process and improving the customer journey as follows:
  - (i) to reduce the capital threshold to £10,000 and abolish tariff income;
  - (ii) to introduce a fixed rate deduction of £7.40 for non-passported non-dependents;
  - (iii) to streamline the claim process and
  - (iv) to increase the tolerance for Universal Credit data re-assessments.
- If the above proposals from Overview and Scrutiny are agreed, a consultation exercise is required to be undertaken with preceptors and stakeholders. A consultation period of six weeks is considered proportionate for the changes proposed.

3 Recommendations

- It is recommended that members consider the attached report and associated comments and recommendations from Overview and Scrutiny Panel and;

  (i) agree that the current 20% contribution rate for working age claimants remain unchanged for the 2022-23 scheme;

  (ii) approve for consultation the following four changes to the current scheme as detailed at Sections 4 and 5 of the attached report:

    (a) to reduce the capital threshold to £10,000 and abolish tariff income;

    (b) to introduce a fixed rate deduction of £7.40 for non-passported non-dependents;

    (c) to streamline the claim process and

    (d) to increase the tolerance for Universal Credit data re-assessments.

Wards Affected	All
Forward Plan Reference	This item is included in the Forward Plan
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance Cllr Mrs Jan French, Deputy Leader
Report Originator(s)	Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Background Paper(s)	None

Agenda Item No:	**6**	
Committee:	**Overview and Scrutiny Panel**	
Date:	**13 September 2021**	
Report Title:	**Council Tax Support – 2022/23 scheme**	

Cover sheet:

1 Purpose / Summary

Each year the Council is required to review its Council Tax Support (CTS) Scheme. This report advises Overview and Scrutiny of the progress of the 2021 annual review and the proposals to amend the scheme for 2022-23.

2 Key issues

- We are now in the ninth year of CTS; a locally set scheme that replaced the nationally set Council Tax Benefits (CTB) scheme from April 2013.
- In 2013-14 we were able to take advantage of a one-off Government grant that compensated in part for the reduction in Government funding that year. This meant that the maximum CTS awarded was the amount calculated, less 8.5% (Pensioners are protected by legislation and receive up to 100% CTS).
- In 2014-15, we initially proposed this reduction be increased to 20%. However a reduction in demand meant that we were able to revise this reduction to 14%.
- For 2015-16 and 2016-17 we kept the same scheme as 2014-15, 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. This means that customers have a higher income before losing CTS.
- For the 2017-18 scheme, as part of the Council's Comprehensive Spending Review (CSR1), we consulted customers on a proposal to increase the CTS reduction for working age customers from 14% to 20% starting from 1 April 2017. Based upon feedback from customers and the potential impact on collection rates, Overview and Scrutiny members at their meeting on 28 November 2016, recommended to Cabinet and Council that the 14% reduction level be maintained. This recommendation was subsequently approved and the scheme contribution rate remained unchanged.
- For the 2018-19 scheme we consulted on a proposal to harmonise the scheme to DWP welfare reforms introduced for Housing Benefit and CTS for Pensioners and introducing closer links to Universal Credit data share

for claims, thereby removing the stipulation to make a separate claim. This was subsequently approved and introduced.

- For 2019-20 we kept the same scheme as for 2018-19.
- For 2020-21 the only change was to introduce a fluctuating earnings rule to the treatment of Universal Credit. A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the administrative burden of reassessing customers CTS every time a revised Universal Credit notification is received.
- For 2021-22 the minimum contribution percentage for working age claimants was increased from 14% to 20% and no other changes were made to the scheme.
- Councils are required to consider whether to review their LCTRS schemes annually. Where it is determined to retain the existing scheme this must be decided by 11 March of the preceding year.
- Where Councils seek to amend their scheme 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.
- The current Fenland CTS scheme provides a maximum benefit of 80% for working age claimants and our 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.
- The impact of COVID-19 on working age claims has been significant during 2020-21 and is expected to continue to increase throughout 2021. To assist working age CTS claimants, the government announced the £500m COVID-19 Hardship Fund at the Budget on 11 March 2020. This Council's allocation was £907,222. This funding provided all recipients of working age local council tax support during the financial year 2020-21 with a further reduction in their annual council tax bill of up to £150, using their discretionary powers to reduce the liability of council taxpayers outside of their formal CTS scheme design.
- In 2020-21, £871,414 of the Hardship Fund was utilised with the remainder (£35,808) being carried forward into 2021-22 to provide Exceptional Hardship relief.
- For 2021-22, the government has provided a one-off grant to authorities in recognition of the anticipated additional cost of providing CTS, at a time when more households are likely to be facing financial difficulties as a result of the pandemic. The grant is for local authorities to keep and the funding is unringfenced. This Council's grant is £194,254 and the major preceptors (County, Police and Fire) have received their grants directly.

- It is too early to fully understand the impact of the 2021-22 increase to 20% in contribution rate on collection and recovery and given the extent of the impact of COVID-19 and the uncertainty regarding the numbers and cost of the current and future CTS, it is proposed that the current 20% contribution rate remains unchanged for the 2022-23 scheme.
- Four options for changes to the current scheme are presented for consideration, all of which will assist streamlining the process and improving the customer journey:
  - (i) to reduce the capital threshold to £10,000 and abolish tariff income;
  - (ii) to introduce a fixed rate deduction of £7.40 for non-passported non-dependents;
  - (iii) to streamline the claim process and
  - (iv) to increase the tolerance for Universal Credit data re-assessments.

3 Recommendations

The Panel is requested to:

- Review the CTS scheme for 2022-23 as outlined in this report and make recommendations to Cabinet of their preferred options.

Wards Affected	All
Forward Plan Reference	This item is included in the Forward Plan
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance Cllr Mrs Jan French, Deputy Leader
Report Originator(s)	Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer; Sam Anthony, Head of HR & OD Mark Saunders, Chief Accountant
Background Paper(s)	None

Report:

1 Introduction

1.1 Before April 2013, Council Tax Benefit (CTB) was a nationally controlled scheme administered by District and Unitary Councils that give reductions from Council Tax to people on low incomes according to set criteria specified by regulations. The maximum reduction was 100% of a person's Council Tax bill.

1.2 The costs of CTB were fully reimbursed to the Council by the DWP, so that if demand rose or fell, the Council did not bear the costs of these changes.

1.3 CTB was localised and replaced by CTS in April 2013. At the same time, Government funding was reduced and CTS was localised, coming under the control of District and Unitary Councils. Whilst pensioners were protected and regulations specified that they must still receive up to 100% CTS, this protection did not apply to working age people.

1.4 Unlike CTB, the costs of CTS are borne by Councils. Funding is given by the Government within the overall finance settlement, but this has reduced significantly over the years so that Councils bear the costs of an increase in demand but gain from reduced demand.

1.5 The implementation of CTS left Fenland with a funding gap, that potentially saw working age customers only being entitled to 80% CTS. However, Members considered the options available to help increase CTS and were able to implement a scheme in 2013-14 that saw working age customers be entitled to up to 91.5% of CTS; in two ways.

1.6 Members primarily met the funding shortfall by revising Council Tax exemptions on empty properties, permitted by regulations that changed in 2013. This meant that the Council would no longer give a Council Tax reduction for most empty domestic properties.

1.7 The funding shortfall was further closed by a one-off transitional Government grant that applied in 2013-14 only.

1.8 In 2014-15 this grant was not available. With demand for CTS not growing as much as was predicted for 2013-14, Members were able to revise the CTS scheme to feature a reduction of 14% CTS for working age customers.

1.9 Councils are required to review the operation of their CTS schemes annually. They are required to make any revisions no later than 28 February in the financial year preceding that for which the scheme will be revised (i.e. 28 February 2022 for the scheme relating to the 2022-23 financial year).

1.10 Further annual reviews determined that the CTS reduction remained at 14% since 2015-16, with further links to Welfare Reform and Universal Credit introduced for 2018-19. That scheme was retained for 2019-20.

1.11 For 2020-21 the only change was to introduce a fluctuating earnings rule to the treatment of Universal Credit (UC). A weekly tolerance level of £15 (£65 monthly) was introduced to minimise the number of reassessments imposed by monthly changes in a customer's UC payment. This was intended to reduce customer reassessments by a third and continues to work well.

1.12 For 2021-22 the only change was to increase the percentage for the minimum contribution rate from a baseline of 14% to 20%. It is too early to report the impact this has had on collection and recovery and it will take several months before we start to understand this. Many customers still have arrears from last year following the impact of COVID-19 and the suspension in recovery action throughout the year which could impact on their ability to pay this year.

1.13 We are now reviewing our CTS scheme for the 2022-23 financial year.

2 The 2021 review

2.1 Councils are required to review operation of their CTS schemes each year. Where a change is proposed, we are required to undertake customer consultation; the results of which assist in the final decision made by the Council regarding the CTS scheme next year.

2.2 Members will be aware that this Council is one of five partners forming the Anglia Revenues Partnership (ARP). The other four Councils are Breckland, East Cambridgeshire, West Suffolk (formerly Forest Heath and St. Edmundsbury) and East Suffolk (formerly Waveney and Suffolk Coastal). These Councils have maintained the contribution rate in their schemes at 8.5% since 2013. They are not proposing any changes to this rate for 2022-23.

2.3 Currently, apart from a different contribution rate, all other aspects of the CTS scheme are consistent across all of the ARP partners. This aids the efficient administration of the schemes across the partnership. This does not however preclude any of the partners amending their scheme independently of the others.

2.4 All partner authorities are currently considering the options to change the scheme for 2022-23 as detailed in Section 4 below.

2.5 Since 2018 the scheme has been harmonised to DWP welfare reforms introduced for Housing Benefit and CTS for Pensioners and introduced closer links to Universal Credit data share to claims, most notably removing the default stipulation for customers to make a separate claim to the Council. This has been of particular help to all the new customers impacted by Covid-19 needing to make a Universal Credit claim but not needing to make a further claim to the Council for Council Tax Support.

2.6 Since April 2020 we have strengthened our use of DWP Universal Credit data share links to further assist customers.

2.7 Both these initiatives continue to work well for customers, with other Councils either now introducing these changes or looking to do so.

3 The impact of CTS to date

3.1 CTS with its associated gap between Council Tax payable and the maximum help working age people can receive has been in operation now for eight full years and we are in the ninth year of operation.

3.2 The table below shows how the amount of CTS awarded and numbers of customers claiming it have changed since CTS was introduced in 2013:-

CTS cases and amount awarded			
Date	CTS awarded	Working age claims	Pensioner claims
31/3/13 (CTB)	£8.16m	4,682	4,727
31/3/14	£7.89m	4,755	4,667
31/3/15	£7.45m	4,620	4,431
31/3/16	£7.21m	4,450	4,202
31/3/17	£7.02m	4,228	3,998
31/3/18	£6.91m	4,189	3,827
31/3/19	£6.98m	4,227	3,629
31/3/20	£7.39m	4,244	3,472
31/3/21 Covid-19 Hardship Fund Net Cost of CTS	£8.65m -£0.87m 7.78m	4,823	3,334
Change 2013 to 2021	- £0.38m -4.66%	141 3.01%	- 1,393 -29.47%

3.3 The annual amount of CTS awarded since 2013 to the end of March 2021 has reduced as a result of both the increase in contribution rate to 14% in 2014-15 and a significant reduction in Pensioner claims. There was, however a significant increase in the number of working age claims during 2020-21 due to the impact of Covid-19.

CTS Current Position

3.4 Since March 2021, we have seen a reduction of 4.42% in the number of working age CTS claims as at the end of July 2021.

3.5 Figures for the amount of CTS awarded and numbers of customers claiming it at the end of July 2021 compared with March 2021 are detailed in the table below:

CTS cases and amount awarded : March – July 2021			
Date	CTS awarded	Working age claims	Pensioner claims
31/3/21	£7.78m	4,823	3,334
31/7/21	£7.49m	4,610	3,298
Change March to July 2021	-£0.29m -3.73%	-213 -4.42%	-36 -1.08%

3.6 Total CTS awarded has reduced over the first four months of 2021-22 due to a reduction in working age claims and the increase in contribution rate to 20%.

3.7 With the Government's Coronavirus Job Retention Scheme ceasing on 30 September 2021, there is potential for unquantifiable increases in Universal Credit claims, thereby increasing CTS claims.

3.8 Whilst we anticipate caseload will increase, it is too early to predict with any accuracy what the full impact will be for this year and the knock-on effect on next year.

Government Funding 2021-22

3.9 For 2021-22, the government has provided a one-off grant to authorities in recognition of the anticipated additional cost of providing CTS, at a time when more households are likely to be facing financial difficulties as a result of the pandemic. The grant is for local authorities to keep and the funding is unringfenced. This Council's grant is £194,254 and the major preceptors (County, Police and Fire) have received their grants directly.

Impact of changes affecting amounts paid by recipients

3.10 Members are reminded of the potential impact resulting from any changes to the scheme which affects the amounts paid by recipients (eg. contribution rate). Any savings/additional cost would be shared between the major preceptors in proportion to their Council Tax requirements in the Collection Fund. The proportions based on 2021/22 Council Tax, is detailed in the table below. This shows that any changes (to the contribution rate for example) would generate significantly more savings/more cost to the County Council, as they receives a much higher proportion of Council Tax receipts overall.

How Council Tax allocated is split	
Authority	%
Cambridgeshire County Council	68.97
Cambridgeshire Fire Authority	3.62
Cambridgeshire Police & Crime Commissioner	12.20
Fenland District Council	15.20

3.11 This contrast's to the financial impact of any changes to Peterborough City Council's CTS scheme (whose current contribution rate is 32%) which is significantly different to this Council. Peterborough as a Unitary Council receives the majority of any savings realised from any changes, around 82%, whereas this Council only benefits from around 15% of any changes.

3.12 Increasing the rate of contribution for working age customers also increases the potential for additional arrears and subsequent recovery action. Additional bad debts provision would be required for non-payment and to help maintain expected collection levels, extra resources would be required to undertake recovery work in respect of additional arrears that would accrue from working age customers having payment difficulties as a result of the proposed changes. This would significantly reduce the benefits to this Council of increasing the contribution rate, as we are responsible for collecting Council Tax and administering CTS. The net benefit could be reduced by up to 50%.

4 Options to consider - improving the customer journey

OPTION 1 - Reduce the capital threshold from £16,000 to £10,000 and abolish tariff income

4.1 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 claim 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.

4.2 A by-product of implementing this change would be that our options to automate and provide decisions to customers in one day would be extended to those with Capital over £6,000 as the need to manually calculate tariff income would be removed.

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

Option	Saving	Gains	Reductions
Capital upper threshold £10,000 with no tariff income	£7,492	11	11

NB: Tariff income is the notional income used to take into account capital for means-tested benefits such as CTS. Currently, any capital below £6,000 is completely ignored. For any capital between £6,000 and £16,000 (the current upper limit), tariff income applies at a rate of £1.00 per week for every £250 (or part of £250) of capital. For claimants with capital of £6,000.01 their benefit would be reduced by £1.00 per week and for those with capital of £16,000, their benefit would be reduced by £40.00 per week.

OPTION 2 – Introduce a fixed rate non-dependant deduction

4.4 This option would result in:

- A simplified scheme reducing 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 ownness is solely on the customer to identify and report changes for their adult household members.
- More streamlined customer experience and reduced 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 CTRS awards, payment failure and Council Tax arrears.

4.5 A by-product of implementing this change would be that our options to automate 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.

4.6 Any customers who are entitled to a severe disability premium within their Council Tax Support assessment will continue to be exempt from non-dependant deductions.

4.7 It is recommended that a safety net is provided for customers who will lose out initially by offering an Exceptional Hardship award to help bridge the gap.

4.8 This option focusses on an improved customer journey and reduction in administration resource 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	Gains	Reductions
Fixed non-dep deduction £5.30 for all non-deps	£14,555	103	250
Fixed non-dep deduction to £7.40 for those not passported	£4,324	99	58

NB: The first option is to apply one fixed rate deduction of £5.30 for all non-dependants including those on passported benefit and the second option is to apply a fixed rate deduction of £7.40 for non-dependants but retain a £0.00 deduction for non-dependants in receipt of passported benefits.

OPTION 3 – Streamlining the claim process

4.9 Currently anyone who claims Universal Credit (UC) is signposted to the Local Authority to make a separate application for CTRS. However, our scheme allows us to treat the DWP notification of UC outcome as a claim in its own right and the Local Authority, therefore, often receive duplicate claims.

4.10 Making the claim process more streamlined by restricting use of our direct claim route to those already in receipt of UC or a legacy benefit and signposting everyone else to make a claim for UC if they haven't already done so, thereby, not accepting a duplicate direct claim with the LA would have the following impact:

- More streamlined customer journey by preventing duplication of claims.
- Reduce burden on customer to provide evidence through making a non-UC claim.
- Removes requirement for both DWP and Local Authority to verify income details.
- Maximises income by signposting customers to claim Universal Credit.
- Reduces administration resource requirements.

4.11 A by-product of implementing this change would be that our opportunity to automate DWP first payment files would increase if more claims came through this verified route in the first instance rather than via our online claim form.

4.12 Reporting has indicated that for this financial year to date only 3 customers have applied directly to the Local Authority without being in receipt of a legacy benefit or UC or making a fresh claim for UC at the same time. Implementing this change would signpost all 3 to claim directly with the DWP, resulting in 2 of them being entitled to UC and CTRS and 1 not being entitled to UC but still being entitled to CTRS. Therefore, 66% of the few people we would signpost to claim UC as they haven't already done so, would be better off as a result and we would no longer receive duplicate claims for those who have already claimed UC.

4.13 This option focusses on improved customer journey and reduction in administration resource and there are no financial implications.

OPTION 4 – increase tolerance for Universal Credit data re-assessments

4.14 In April 2020 a tolerance of £65 per month was introduced which meant that income changes of less than £15 per week were no longer re-assessed for UC customers.

4.15 Universal Credit (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 monthly revised UC awards sent to the Council by the DWP.

4.16 Due to the tolerance rule, customers have seen a reduction by one third in Council Tax adjustment notifications, and 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.

4.17 The introduction of a fluctuating earnings rules last year 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.

4.18 By increasing the tolerance rule from £65 per month to £100 per month a further 16% of re-assessments would be avoided, providing customers with more consistent payments, 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 as most cases have monthly fluctuations reported which evens out any impact of applying the tolerance over the course of a year.

5 Recommendation

5.1 It is recommended that the Panel consider implementation of the following options:

- Reduce the capital threshold to £10,000 and abolish tariff income.
- Introduce a fixed rate deduction of £7.40 for non-passported non-dependants.
- Streamline the claim process.
- Increase tolerance for Universal Credit data re-assessments.

5.2 These options are being proposed in order to improve the customer journey and reduce customer contact and the burden of evidence requirement.

6 Consultation about our proposals

6.1 If there are no changes proposed to the CTS scheme for 2022-23, there will be no requirement for any customer consultation.

6.2 Should the Panel approve the recommended changes detailed in Section 4 and 5 above, then a consultation exercise will be required with preceptors and stakeholders. A consultation period of six weeks is considered proportionate for the changes proposed.

6.3 Consequently, any consultation exercise would need to meet the statutory timescales for Council to approve its' CTS scheme for 2022-23 as detailed in 1.9 above.

7 Next steps

7.1 This report has given the Panel an update on progress of the annual review of the Council's CTS scheme, with options to improve the customer journey and reduce customer contact and the burden of evidence requirement.

7.2 The recommendations from this Panel will be reported to Cabinet at their meeting on 16 September 2021. If Cabinet approve any changes that require consultation, it is anticipated that this consultation will occur over a six week period beginning mid/late-October 2021.

7.3 The final proposals, would then be recommended to Council at their meeting on 20 January 2022.