CABINET

5 APRIL 2022

Index

KEY DECISION: YES

LOCAL COUNCIL TAX SUPPORT SCHEME REVIEW

1. Decision:

The Cabinet:

1.1 Approved the scope of the LCTSS review.

1.3 Approved the outcomes shown at para 3.19 of the Cabinet report that we are seeking to achieve with LCTSS.

1.3 Noted Overview and Scrutiny Committee will be involved with the review of the scheme.

1.3 Agreed the contract for the Interim Revenue & Benefits Manager is extended initially for a further 2 months until 1 September 2022, to be in line with the implementation of the Target Operating Model.

2. Statement of Reasons:

The Local Council Tax Support Scheme (LCTSS) has remained broadly the same since it was introduced in April 2013. This report gives visibility to:

- The main features of the current scheme.
- The yearly cost of the scheme.
- The numbers of applicants, including trends.
- The advantages and disadvantages of our existing scheme and the need for change.

How an updated scheme could help to improve outcomes for Lichfield DC residents.

A walkthrough of the available ‘options for change’, including trends in the sector.

An indicative timeline to implement a new scheme in time for April 2023

3. Any Alternative Options:

The following options have been identified, to achieve the desired outcomes:

Option	Key Features
a) Maintain the current scheme approach for working age applicants at the same level of support	Advantages • None Disadvantages • Continued increase in non-collectable debt • Continued increase in costs due to administration • The current scheme will be untenable over time with the increase in universal credit claimants • Additional staffing requirement
b) Maintain the current scheme approach for working age applicants but with increased support	Advantages • Reduction in non-collectable debt • Increase in support would reduce recovery actions Disadvantages • Overall cost of the scheme would increase • Continued increase in costs due to administration • Additional staffing requirement Future Proofing
c) Implement changes such as fixed periods or minimum income change tolerances within current scheme.	Advantages • Entitlements are not changed for a fixed period and therefore savings may be made. • Reduction in some administration costs subject to software requirements Disadvantages • Entitlements are not changed for a fixed period and therefore costs may increase • Some applicants may take advantage of the scheme when approaching a review • The scheme would still remain complex for both staff and customers Future Proofing • This is a short-term fix that addresses the immediate problems of multiple changes but will not address the complexity of the current scheme and will need substantial administration over

d) Implement a simplified discount-based banded scheme for Universal Credit claimants only.	Advantages • No financial benefits as the scheme is aligned to current costs • Simplicity for some applicants • Minimises the effect of multiple Universal Credit changes on administration • The basic assessment of income and needs remains the same as present for all non-universal credit customers Disadvantages • Potentially additional software costs • More complex approach to addressing the problem of Universal Credit cases • Three schemes would be in place • Software limitations may require a manual workaround Future Proofing
e) Implement a simplified, discount-based banded scheme for working age claimants, providing a similar level of support as present.	Advantages • Based on last 2 years, administration saving related to staff time • Potential to make scheme cost savings • Scheme administration simplified • Easy to understand by customers and staff and low training cost for new staff Disadvantages • Potentially additional software costs Future Proofing • Fully future proofed scheme that is not linked to an old-style

KEY DECISION: YES

PENSIONS CONTRIBUTIONS

1. Decision:

The Cabinet:

12.1 Approved that the contribution strategy is based on the Pension Fund Actuary's alternative strategy for the period 2023/24 to 2025/26.

1.2 Approved the upfront payment of the secondary element in advance (option 2B in the Cabinet report) in April 2023 and to update the Medium Term Financial Strategy for 2023/24 to 2025/26.

1.3 Noted that the MTFS for 2026/27 onwards will be based on the Actuary's current preferred strategy and an upfront payment (option 1B in the Cabinet report).

2. Statement of Reasons:

A contribution rate review that sets a contribution strategy for each employer is currently undertaken, by the Pension Fund Actuary on a three yearly basis.

The last valuation took place in 2019, covered 2020/21 to 2022/23 and had a funding level of 97%.

The next valuation will occur in 2022 and will cover the three year period 2023/24 to 2025/26.

The Pension Authority's Funding Strategy Statement requires a contribution strategy to achieve more than a 68% probability of success outcome of the Council's pension pool being fully (100%) funded.

A strategy is based on the following approach set by the Actuary:

- A payroll element (Primary Rate) of pensionable pay.
- A past service element (Secondary Rate) is fixed irrespective of the level of pensionable pay to reduce the risk of shortfalls occurring in pension contributions given payrolls are reducing.

However for the 2022 valuation, the Actuary has changed the balance of the strategy to increase the primary rate (from 16.2% to 22%) and reduce the secondary rate.

This change is because the primary rate is no longer sufficient to cover future pension payments for current employees due to higher inflation and lower asset returns relative to the last valuation.

To aid financial planning, the Actuary has produced provisional modelling for the 2022 valuation. However, to finalise the valuation, two decisions need to be taken by each Member Authority:

- The contribution strategy to be adopted and;
- The payment frequency either in three annual instalments or in one payment at the start of 2023/24 at a discount of circa 7%.

The Approved Budget assumes that the Council will pay the Pension Fund Actuary's preferred strategy because there is a risk that the alternative strategy will not be available and it reduces the risk of unsustainable increases for future taxpayers.

Staffordshire Pension Authority have requested a decision on the preferred strategy by April 2022

3. Any Alternative Options:

Option 1 - Preferred Strategy of the Pension Fund Actuary (Increases of 1% for 3 years followed by +/- 1%)	
Advantages	**Disadvantages**
• It is the Pension Fund Actuary's preferred strategy of stepping up contributions if this is affordable. • It maximises the potential return (with discounts of circa 7%) on investment available from the pension fund. • The risk of a future unsustainable increase beyond the three year period is reduced. • Probability of success is **86%** in achieving the funding strategy outcome. • Average of worst 5% of outcomes and downside risk is **54% - green and acceptable**.[1]	• The cost is higher than the Approved MTFS.

Financial Implications:

Details	2023/24	2024/25	2025/26	Total
Annual Payment	841,000	962,000	1,088,000	2,891,000
Upfront Payment	**2,694,000**			**2,694,000**

Option 2 - Alternative Strategy provided by the Pension Fund Actuary (3 year freeze with pay award allowance, followed by +/-1%)	
Advantages	**Disadvantages**
• The cost is within the Approved MTFS with savings. • Probability of success is **85%** in achieving the funding strategy outcome. • Average of worst 5% of outcomes and downside risk is **51% - green and acceptable**.	• It is not the Pension Fund Actuary's preferred strategy. • The risk of a future unsustainable increase beyond the three year period is increased. • The next valuation could coincide with the ending of transitional arrangements for Local Government Finance Reform thereby creating a significant budget pressure.

Financial Implications:

Details	2023/24	2024/25	2025/26	Total
Annual Payment	746,000	767,000	788,000	2,301,000
Upfront Payment	**2,150,000**			**2,150,000**