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| 28th February 2024 | | ITEM: 19 |
| Council | | |
| Local Council Tax Scheme for 2024/25 | | |
| Wards and communities affected: All | Key Decision: Yes | |
| Report of: Cllr G Snell - Finance, Human Resources and Payroll | | |
| Accountable Director: Steven Mair – Interim Chief Financial Officer | | |
| Accountable Assistant Director: Andy Brittain – Head of Revenues and Benefits | | |
| This report is Public | | |
| Version: Council | | |

Executive Summary

Local Council Tax Support (LCTS) helps support council taxpayers who have a low income by providing a reduction to the actual amount of Council Tax payable.

On 1st April 2013, LCTS replaced the national Council Tax Benefit Scheme (CTB). Unlike CTB, which was wholly funded by Central Government and administered by local authorities, for LCTS each Council was required to design and implement its own scheme against a backdrop of 10% reduction in central funding.

The Council is required to consider its scheme annually and consult on any changes before they are introduced. The current LCTS scheme was implemented on the 1st April 2017 following consultation and has been agreed for each subsequent year up to the current financial year with no changes.

When considering the design of the local scheme, the council is required to take account of the following components directed by Government:

- all low-income pensioners remain protected under the national framework.
- consideration for protection for vulnerable working age groups will be allowed for.
- each authority's scheme needs to maintain work incentives wherever possible.

A comprehensive review of Thurrock's scheme has been undertaken within the current year and compared against other Essex and neighbouring authorities. In summary, analysis shows that in comparison to the benchmark group Thurrock's current scheme for working age claimants:

- Provides a mid-range level of support.
- Drives comparatively high collection rates for the LCTS portfolio.

The review also considered the potential financial impact of reducing the current maximum award levels from 75% to 70%.

In summary, whilst theoretically this would save £332k, the review concluded that a decrease of this nature could not be recommended at the current time as would:

- increase the minimum amount working age claimants were required to contribute by 20%. This is before any increase in council tax charges.
- make the minimum contribution rate for working age claimants the 3rd highest in Essex.
- stretch a claimant's ability to pay, and therefore put at risk any theoretical saving through unrecovered amounts and/or increased demand for wider support.

This report provides further details of Thurrock's current scheme and analysis to enable consideration of the recommendation that the current scheme remains unchanged for 2024/25.

Commissioner Comment:

Commissioners support the recommendations outlined in the report, with particular note that in advance of the 2025/26 there needs to be a fuller review of the LCTS scheme and all aspects of benchmarking with peers to ascertain where there are policy choices to raise further income in 2025/26.

1. Recommendation that Council approve:

- 1.1 the current Local Council Tax support scheme for 2024/25 which has been in place since 2017/18 with no changes as detailed in section 3.1**
- 1.2 That Council approve a full review of the scheme in 2024/25 and completed by autumn, to enable inclusion within the budget setting process for 2025/26, and to comply with the Commissioner's recommendation above.**

2. Introduction and Background

- 2.1 The design of each LCTS scheme must be finalised by the 11th March ahead of the relevant year to which it relates. Failure to provide a scheme by this date will trigger the implementation of a default government scheme. The default scheme would require the Council to revert back to the level of support that would have been provided under the national Council Tax Benefit arrangements. With regards to the current caseload, reverting to the national scheme would result in an additional cost to Thurrock of circa £1.2m.
- 2.2 Some components of the LCTS scheme have been directed by Government such as:
 - all low-income pensioners will be protected under the national framework as defined by DWP;
 - consideration for protection for vulnerable working age groups will be allowed for; and

- each authority's scheme will maintain work incentives wherever possible. The Government continues to stress the importance of this principle given the current economic climate and the welfare reform agenda.
- 2.3 From 2014/15, any specific funding for the LCTS scheme was rolled up into the Revenue Support Grant (RSG) as provided to local authorities by the Government. It is entirely for local authorities to decide how much they are prepared to spend on their LCTS scheme.
- 2.4 Local authorities take on the risk that liabilities under LCTS exceed the amount projected for at the start of the relevant financial year. This risk is shared between billing and major precepting authorities with circa 15% of the council tax collected by the Council being paid over to the Essex County Fire and Rescue Service and Essex Police.

3. Issues, Options and Analysis of Options

3.1 Overview of existing Scheme

The existing Scheme contains the following elements:

- to ensure work pays, the first £25 per week of earned income is disregarded when calculating levels of council tax support.
- the maximum capital limit is to be set at £6,000. This means anyone who has savings over £6,000 may not receive support with their council tax.
- for working age claimants, the maximum support allowed is set at 75% of their full council tax bill.
- to assist those with families, the Child Benefit and Child Maintenance received is not included as income in the calculation of council tax support
- the maximum period a claim can be backdated under the scheme is one calendar month. To qualify for this, the claimant will need to provide good reason for not claiming earlier.
- there is a full disregard of military compensation payments, including War Disablement Pensions, War Widow's Pension and Armed Forces Compensation Scheme payments.
- Disability Living Allowance and Personal Independence Payments are fully disregarded.
- the number of dependants assessed in the calculation of claimants' needs is a maximum of two
- the maximum period of an award when temporarily absent outside the United Kingdom is four weeks.

3.2 Roll out of Universal Credit

In order to keep the process as simple and efficient as possible, Thurrock Council and the majority of other authorities made the decision to keep the Local Scheme aligned as closely as

possible to Housing Benefit Legislation; this was to be reconsidered once Universal Credit had been fully rolled out.

Initially, Universal Credit was to be fully implemented for all new and existing Working Age claimants by 2017. However, this has now been extended nationally and the Government's latest forecast gives a commitment to completing the move for the majority of Working Age claimants to Universal Credit by the end 24/25. Individuals receiving Employment Support Allowance being the exception, this benefit will not be migrated until 28/29. In view of this, new Housing Benefit legislation is now forming part of the Welfare Reform agenda with this benefit continuing until at least 2025.

From September 2023 Essex Authorities are part of an expansion of Move to Universal Credit activity. This is the migration of Couples who currently claim tax credits to Universal Credit. The individuals within this expansion are being contacted by Department of Work and Pensions and the migrations are due to be completed by April 2024.

At this stage, the introduction of Universal Credit in the Authority has not made any significant change to the amount of LCTS awarded to claimants compared to the legacy benefits, however this will continue to be monitored as the migration progresses.

3.3 Accessibility

The application process for LCTS is linked to other national benefits such as Universal Credit and Housing Benefit. This means that people who claim these benefits are directed to make a claim for LCTS where applicable. Applications for LCTS can be made online (with assistance via customer services), community hubs and various other organisations for those who need help in completing a claim.

3.4 Cost and Caseload

The number of people claiming LCTS increased as a result of the COVID-19 pandemic. However, numbers have now returned to pre pandemic levels although this continues to be closely monitored.

Table 1. below sets out a comparison of current claimant numbers and cost of the scheme against the same period last year. When considering these numbers, it should be noted that whilst comparing number of claimants offers a direct like for like comparison, when considering variances in year on year costs the impact of the general council tax increase applied within the current year needs to be factored in.

Within Thurrock when comparing the period November 2022 to October 2023, overall, the number of claims in payment decreased by 157. Whilst the cost of the scheme increased by £632k, when stripping out the impact of the overall Council Tax increase applied of 9.44% (Thurrock Council 9.99%, Police 6.87%, Fire 6.57%), this equates to a 'like on like' reduction of £141k.

Table 1:

| Claimant Type | Number of Claimants | | Total Awarded (£000's) | |
|----------------------------|---------------------|----------------|------------------------|----------------|
| | As at Oct 23 | Var. to Nov 22 | As at Oct 23 | Var. to Nov 22 |
| Working Age - Employed | 764 | -206 | £477 | -£322 |
| Working Age - Not Employed | 4902 | 108 | £4,469 | £685 |
| Pension Age | 3386 | -59 | £3,877 | £269 |
| Total | 9,052 | -157 | £8,823 | £632 |

3.5 Benchmarking current levels of support

Whilst there can be multiple factors within different schemes that can impact the amount a claimant will receive, the review compared the minimum amount Thurrock Working age LCTS claimants (assuming a fully occupied Band D property) are required to pay against other Essex and 'geographically' neighbouring authorities.

High level conclusions drawn from the analysis are:

- The maximum level of support in percentage terms offered to claimants is comparable to other Essex and neighbouring authorities.
- When combined with council tax levels the minimum amount Thurrock LCTS claimants are required to pay is mid-range against the comparator group.

3.6 Collection

It is important to consider collection rates when considering levels of support. Clearly if levels of support are set too low, claimants will struggle to maintain payments towards the amount they are left to pay, which will have a negative impact of any financial benefits of a less generous scheme.

Unlike general council tax collection, there is no requirement for authorities to monitor and report the percentage of billed amounts collected for the LCTS portfolio. Whilst a request was issued to other Essex authorities, only 5 other authorities were able to share results, however this suggested an average 'in year' collection rate in 2022/23 for LCTS claimants of 85.49%.

In comparison the Thurrock 'in year' collection rate for the LCTS portfolio achieved 93.13% which is 7.64% better than the collated average. In monetary terms this equates to an additional £230k which was realised from the amount billed.

3.7 Impact of changing the maximum level of support

Clearly due to the council's current financial position it is important to consider any viable savings. Further to this a 5% reduction in maximum support levels was modelled to understand the potential impact.

High level outcomes contributing to the recommendation that the scheme remains unchanged are summarised as follows:

- Based on the current caseload, the theoretical cost saving of reducing the maximum level of support by 5% would be approximately £332k per annum.

- Increasing the minimal amount payable has a potential to lead to a drop in collection and wider impacts on claimants who fall into arrears. Should Thurrock collection rates dip to the average reported of the comparator group (as outlined in 3.6), this would largely negate any theoretical financial gains of reduced support.
- Based on current council tax and support levels a claimant occupying a fully occupied Band D property receiving the maximum 75% council tax support is required to pay £474.73 towards council tax.
- If the maximum level of support were to be reduced by 5% to 70%. This would result in an increase in the annual amount the claimant would be required to pay of £94.95 to £569.67 which equates to 20% year on year increase.
- Assuming support levels in the comparator group remain unchanged for 2024/25 this would mean Thurrock would have the 3rd most expensive council tax for LCTS claimants.

3.8 Complaints

There have been no specific complaints recorded regarding the design of the Council's scheme in recent years.

3.9 Additional Support

Alongside the LCTS scheme, various other mandatory and discretionary discounts and exemptions are in place to provide assistance and support to specific groups. These include:

- Care Leavers exemption to the age of 21 (25 in exceptional circumstances).
- Severe Mental Health Exemption.
- Single Persons' Discount.
- The Council also considers its wider discretionary power in exceptional cases to reduce the council tax owed where appropriate.

4. Reasons for Recommendation

- 4.1 In addition to the available evidence which suggests the scheme remains fit for purpose, due to existing challenges relating to cost of living and the potential that Council Tax will increase for the forthcoming year by at least 5%, in the interests of maintaining current levels of support and consistency, there are no proposals to make changes to the scheme for 2024/25. The scheme will however remain subject to ongoing annual assessment.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Council is required to have an approved LCTS scheme that has been subject to public consultation where changes are proposed. The recommendations and timeframe outlined in this report will ensure we continue to meet this requirement noting the fact that no changes are proposed for the following municipal year.

6. Impact on corporate policies, priorities, performance and community impact

6.1 N/A

7. Implications

7.1 Financial

Implications verified by: **Michael Jones**
Interim Assistant Director for Strategic and Corporate Finance

The impact of the LCTS scheme forms part of the determination of the Council tax base for the forthcoming financial year

Based on current estimates, and the use of methodology contained within the report, this equates to a forecast for 24/25 of 4,646 band D equivalent properties

The options for changing the scheme are detailed within the report, and this explains the relationship between reducing the level of discount offered, and the impact on collection rates. Therefore, this concludes the potential financial benefit in reducing the level of discount offered to residents is likely to be offset by reduced collection rates.

Furthermore, the additional impact of increased Council Tax levels on residents who qualify for the scheme needs to be considered in the context of the current economic climate. This is likely to have further impacts on collection rates.

Consequently, it is proposed that the scheme in place remains unchanged for 2024/25.

7.2 Legal

Implications verified by: **Gina Clarke**
Corporate Governance Lawyer and Deputy Monitoring Officer

Section 13A(2) of the Local Government Finance Act 1992, requires the Council as billing authority to make a localised Council Tax Reduction Scheme in accordance with Schedule 1A

to the Act. Each financial year the Council must consider whether to revise its scheme, or to replace it with another scheme.

Any revision to its scheme, or any replacement scheme, must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

This report proposes no revisions to the LCTS currently in place for 2024/25. Therefore, the Council would not be required to conduct the prescribed consultation process where it is not proposing to make any changes to the LCTS.

Although there are no proposed changes to the Scheme, Full Council is required to agree the adoption of the Scheme to continue as from 01 April 2024 for the Council Tax year 2024/25.

Under Schedule 1A of the Act the Government has the power to make regulations about the prescribed requirements for schemes. Therefore any scheme that the Council adopts must comply with these regulations.

The Council must ensure that it has due regard to its Public Sector Equality Duty (PSED) under the Equality Act 2010 when considering whether to revise the LCTS or to retain the existing scheme. Prior to making a decision to adopt the LCTS for 2024/25 Members must take into account and give particular consideration to an assessment, outlining the impact of the proposals for persons that share the characteristics protected under S4 of the Act and the proposals made to reduce or mitigate any negative impact associated with the proposal.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Team Manager Community Development and Equalities

The LCTS has remained unchanged since 2017 and is designed by the authority to respond to the needs of council taxpayers who have a low income. Wider specific concessions are available to care leavers, individuals with severe mental health exemption, single persons', veterans and serving members of the armed forces. In exceptional cases, council may also extend discretionary powers to reduce the value of council tax owed by a household.

The application process for LCTS is available online and is aligned to other benefits including Universal Credit and Housing Benefit. Free online access is available across Thurrock's network of libraries and community hubs.

There are no specific disproportionate negative impacts for any of the protected groups with the scheme to be applied universally. A commitment is made to the ongoing review, monitoring and updating of the CEIA that will inform implementation of the scheme. The recommendation is to retain the current scheme for the forthcoming financial year.

7.4 Risks

N/A

7.5 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

N/A

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Working Papers held by Corporate Finance and Revenues and Benefits.

9. **Appendices to the report**

- N/A

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