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| 14 January 2020 | | ITEM: 5 |
| Corporate Overview and Scrutiny Committee | | |
| Local Council Tax Scheme | | |
| Wards and communities affected: All | Key Decision: Key | |
| Report of: Andy Brittain, Strategic Lead for Revenues and Benefits | | |
| Accountable Assistant Director: N/A | | |
| Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property | | |
| This report is Public | | |

Executive Summary

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

On 1 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.

In order to keep the process as simple and efficient as possible Thurrock 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 suggests the project will not complete before 2023. In view of this, new Housing Benefit legislation is now forming part of the Welfare Reform agenda with this benefit continuing until at least 2023.

The Council is, however, required to consider its scheme annually. The current LCTS scheme was implemented on the 1 April 2017 following consultation and was subsequently agreed for the 2019/20 financial year with no changes.

This report provides details of Thurrock's scheme which is currently considered to be fit for purpose. There are therefore no proposals to amend the scheme for 2020/21,

however it is proposed a full review is undertaken within 2020/21 and on receipt of clarity regarding the future of Universal Credit.

1. Recommendations:

- 1.1 To note the analysis of the current scheme;**
- 1.2 To consider the recommendation that no changes are made to the current scheme for 2020/21; and**
- 1.3 To undertake a full review of the scheme within 2020/21 once the government has confirmed further detail on the future of universal credit.**

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 current caseload, reverting to the national scheme would result in an additional cost to Thurrock of circa £1m per annum.
- 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 DCLG;
 - 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 their 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. Analysis/ assessment of current scheme

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 that will be allowed will be 75% of their full council tax bill;
- To assist those with families the Child benefit and child maintenance received will not be 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. In order 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;
- The number of dependants assessed in the calculation of claimants needs is a maximum of two; and
- The maximum period of an award when temporarily absent outside the United Kingdom is four weeks.

3.2 Administration of the scheme and impact of Universal Credit

The numbers of UC claimants claiming LCTS are being monitored. As at the July 2019 there was a total LCTS case load of 9,740; of this 2,003 claims were for people in receipt of Universal Credit.

Due to the design of UC any related LCTS claims have to be reassessed more frequently. This is due to Universal Credit awards being reassessed on a monthly basis to reflect changes in income, whereas legacy benefits were generally awarded on a fixed term. However this process has now been automated to negate any additional administration.

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.

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 automatically considered for LCTS and do not need to make a separate application. Where a separate application is required these can be made online. Assistance is available via customer services,

community hubs and various other organisations for those who need help in completing a claim.

3.4 Cost of Scheme and Caseload

The number of people claiming LCTS continues to reduce, this is attributed to improving employment factors.

Within Thurrock the number of LCTS claimants within the period 1 April 15 to 31 March 19 reduced by 12.7%. This reduction compares favourably to the national average for the same period of 10%.

As a result of the reduction in claimants the cost of the scheme has also fallen from £9m to approximately £8.0m since the 1 April 2013. This has increased the Council Tax Base and reduced the cost of the scheme borne by wider tax payers.

The expenditure for 2019/20 is estimated to be circa £7.9m. The breakdown of current claimants by claimant type as at July 2019 is as follows:

| Claimant Type | Number of Claimants | CTS Awarded | Average % of Liability Awarded |
|----------------------------|---------------------|-------------------|--------------------------------|
| Working age - Employed | 1281 | £751,039 | 51.93% |
| Working age - Not Employed | 4541 | £3,503,493 | 72.27% |
| Pension Age | 3918 | £3,731,741 | 89.28% |
| Total | 9740 | £7,986,274 | 76.25% |

The expected cost of the scheme for 2020/21 is proposed at £8.2m this allows for any potential additional cost to the scheme as a result of Council Tax increases or economic downturn.

3.5 Affordability and Collection

In the interests of claimants and wider tax payers the scheme needs to balance the overall cost of the scheme against affordability for claimants.

In order to achieve this, in combination with the principle that all working age claimants should contribute something towards their council tax liability, the local scheme remains means tested, and provides support up to a maximum support level of 75%.

The amount each claimant is required to pay is therefore subject to their individual circumstances and is reassessed for any reported changes in circumstances to ensure the level of support remains appropriate. The table below compares the weekly council tax charges and minimum amount (assuming 2 adults in occupation) that Thurrock claimants are

required to contribute to their council tax against the average of comparable Essex authorities:

| Average of Comparable Essex Authorities (Based on 2 Adults in Occupation) | | | | | | | | |
|---|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
| Band Charge | £22.61 | £26.38 | £30.15 | £33.92 | £41.45 | £48.99 | £56.53 | £67.83 |
| Working Age - Amount left to pay | £5.01 | £5.84 | £6.68 | £7.51 | £12.60 | £17.68 | £22.77 | £30.40 |

| Thurrock - (Based on 2 Adults in Occupation) | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
| Band Charge (Weekly) | £19.91 | £23.23 | £26.55 | £29.87 | £36.51 | £43.15 | £49.78 | £59.74 |
| Working Age - Amount left to pay | £4.98 | £5.81 | £6.64 | £7.47 | £9.13 | £10.79 | £12.45 | £14.93 |

Setting the minimum contribution too high would make the scheme unaffordable to claimants and this would lead to a reduction in collection rates.

The design of the current scheme builds in various protections and incentives and supports a high collection rate. For 2018/19 council tax collection rates for those in receipt of LCTS was 96.22%, against an overall collection rate of 98.91%.

Levels of payment default for council tax are therefore broadly comparable between LCTS claimants and those not receiving support. Whilst collection rates for LCTS are not available to compare nationally, overall Thurrock has one of the best collection rates for council tax in England ranking 16th of 328 councils measured.

3.6 Complaints

There have been no specific complaints recorded regarding the council's scheme in 2018/19.

3.7 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; and Single Persons Discount. The council also considers its wider discretionary power in exceptional cases to reduce the council tax owed where appropriate.

4. Future Considerations

- 4.1 Most authorities continue with a scheme closely linked to the Housing Benefit assessment process however some have implemented schemes designed to simplify the assessment process, such as incorporating a low verification of income requirement. Whilst the benefits of such schemes could eventually lead to administration efficiencies as Universal Credit roll out increases, there is also a potential risk of increased fraud which needs to be carefully considered.

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

- 5.1 The Council is required to have an LCTS scheme and the proposed scheme meets this requirement. The scheme supports claimants in the community and ensures the revenue raised is collectible supporting the medium-term financial strategy.

6. Implications

6.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director Finance

The financial implications are set out in the body of the report.

6.2 Legal

Implications verified by: **Tim Hallam**
Acting Head of Law, Assistant Director of Law and Governance and Monitoring Officer

The Council Tax Benefit system was abolished by Section 33 of the Welfare Reform Act 2012. The Local Government finance bill prescribed certain steps in the design of a local scheme, such as consultation and publication. The bill also enables the Secretary of State to introduce both regulations and guidance relating to local schemes. The Government has included regulations to ensure pensioners will not lose or gain relative to the previous system. The LCTS scheme must be ratified by full Council by the 11th March 2020 at the latest to enable the authority to implement the scheme from 1st April 2020.

6.3 Diversity and Equality

Implications verified by: **Natalie Smith**
Community Development and Equalities Manager

The Council has a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The LCTS can be claimed by anyone in the Borough meeting the eligibility criteria.

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

None

7. **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.

8. **Appendices to the report**

None

Report Author:

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