

<b>8 September 2020</b>		<b>ITEM: 5</b>
<b>Corporate Overview and Scrutiny Committee</b>		
<b>Local Council Tax Scheme</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Andy Brittain, Strategic Lead for Revenues and Benefits		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Sean Clark, Corporate Director of Finance, Governance and Property		
<b>This report is</b> 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.

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 1 April 2017 following consultation and has been agreed for each subsequent year up to the current financial year with no changes. It was agreed at Council in February 2019 that there would be a review of the borough's LCTS when there was a greater understanding of the impact of Universal Tax Credit on the scheme. Following lockdown in March 2020, the council has modelled a future forecast of claimants under the current scheme.

This report provides details of Thurrock's current scheme and outlines the proposed elements for consultation in respect of the scheme for 2021/22.

It is intended for the consultation to be undertaken between September and December with the outcomes returning to Overview and Scrutiny in January along with any proposed scheme changes and wider impact analysis. There will also be a LCTS Summit held in November 2020 to ensure that all interested parties can have an input.

### **1. Recommendations:**

- 1.1 To note the analysis of the current scheme.
- 1.2 To consider the elements proposed for public consultation.
- 1.3 That the results of the consultation, recommended changes and impact analysis return to Corporate Overview and Scrutiny for consideration in January.

## 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; andEach 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. 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 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. 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 Roll out of Universal Credit

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 Governments latest forecast suggests the project will not complete before 2024. In view of this new Housing Benefit legislation is now forming part of the Welfare Reform agenda with this benefit continuing until at least 2024.

The numbers of UC claimants claiming LCTS are being monitored. As at July 2020 there was a total LCTS case load of 10,354; of this 3,526 (34%) claims were for people in receipt of Universal Credit.

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.

### 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 of Scheme and caseload.

The number of people claiming LCTS has increased as a result of the COVID-19 pandemic, it is anticipated claimant numbers will further rise as the Governments furlough scheme and other job retention initiatives come to an end.

Within Thurrock for the period August 19 to July 20 the number of claims in payment increased by 614 with an additional cost of £430k. Breakdown by Claimant type as follows:

Claimant Type	Number of Claimants		Total Awarded	
	As at July 2020	Var. to Aug 2019	As at July 2020	Var. to Aug 2019
Working age - Employed	1604	323	£755,470	£4,431
Working age - Not Employed	5061	520	£3,965,905	£462,412
Pension Age	3689	-229	£3,695,405	-£36,336
<b>Total</b>	<b>10354</b>	<b>614</b>	<b>£8,416,780</b>	<b>£430,507</b>

As a result of the anticipated increase in claimants the annual cost of the scheme in its existing format is currently forecast to rise by £1.4m. Any increase to the cost of the scheme will reduce the Council Tax Base and effectively increase the cost of the scheme borne by wider tax payers.

The actual impact of the economic downturn is being closely monitored, updated results will be included with any proposed changes within the report returning to Overview and Scrutiny in January.

### 3.5 Complaints

There have been no specific complaints recorded regarding the councils scheme in 2020/21

### 3.6 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.

In relation to COVID, for the current year as part of the relief package the Government also provided additional hardship funding for working age LCTS claimants to provide a further reduction to Council Tax bills of up to £150 per claimant. This funding is not currently expected to be available for future years.

## 4. Elements for consultation

- 4.1 It is intended that the following elements of the current scheme for people of working age will be included within the consultation:
- The amount of earned income that is disregarded when calculating levels of council tax support.
  - The amount of savings a claimants can have before affecting the level awarded.
  - The maximum level of support that will be provided.
- 4.2 Future changes - 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 banded income schemes and 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.

The benefits of introducing such a scheme have been considered and whilst are not recommended to be included for consultation for the 2021/22 scheme, these will continue to be considered within future years as the rollout of Universal Credit progresses.

## **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. The recommendations and timeframe outlined in this report will ensure we continue to meet this requirement.

## **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: **Ian Hunt**  
**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 Acts 1992 and 2012 prescribed certain steps in the design of a local scheme, such as consultation and publication. These Acts also enable 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 11 March 2021 at the latest to enable the authority to implement the scheme from 1 April 2021.

Any consultation carried out by the Council on any proposed revised scheme must ensure that all consultees are given the opportunity to make informed, intelligent responses to the consultation, by providing them with enough information to be able to do so. In particular, the consultation must provide enough information about the draft scheme, an outline of the main realistic alternatives considered by the Council and an indication of the main reasons why any particular alternative(s) is the preferred one.

This arises from the statutory duty to consult and the Supreme Court judgment in the case of *R (on the application of Moseley) v Haringey LBC [2014]*, where the Court held that the consultation carried out by Haringey Council on its proposed Council tax reduction scheme had been unlawful.

### 6.3 Diversity and Equality

Implications verified by:

**Natalie Smith**

**Strategic Lead Community Development  
and Equalities**

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)

N/A

### 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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