

27 January 2021		ITEM: 12
Council		
Local Council Tax Scheme		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Assistant Director: Jonathan Wilson, Assistant Director Finance		
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.

Since 2013, councils were required to design, implement and support their own scheme against a backdrop of a 10% reduction in central funding. With the subsequent reductions in the Revenue Support Grant, central funding has significantly reduced which means that LCTS is predominantly funded locally.

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 and the scheme would 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 resolved to undertake a review of the scheme within the current year before undertaking a consultation on any recommended changes. However due to the impact of the pandemic, in the interests of maintaining current levels of support and consistency it was not deemed appropriate to consider any changes to the scheme at this time. This will however be further considered once the situation stabilises, and future demand/ support can be more confidently assessed. For now, the council is increasing its provision under the LCTS scheme for next year, by over £0.7m.

The Council is, however, required to agree its scheme annually, even if there have been no changes. The current LCTS scheme was implemented on the 1 April 2017 following consultation and has subsequently been agreed for each financial year with no changes.

This report provides details of Thurrock's scheme and in line with the above there are no proposals to amend the scheme for 2021/22.

1. Recommendations:

1.1 That Council agree to maintain the existing scheme for 2021/22.

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 Council 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 MHCLG;
- 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. The RSG has been reduced significantly over the subsequent years resulting in the scheme being predominantly funded from local resources. It is 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 15 January 2021 there was a total LCTS caseload of 10,289; of this 4,039 claims were for people in receipt of Universal Credit.

Due to the design of Universal Credit, 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; and

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 in many cases 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 – Impact of the Pandemic

As can be seen from the table below the number of people claiming LCTS has increased by 479 over the last 12 month period at an annual cost of £700k. It is anticipated that demand is likely to further increase once the various support mechanisms put in place to support businesses/employment through the pandemic is phased out.

Whilst forecasting the potential impact for the forthcoming year is currently difficult due to a number of factors, for indicative purposes a 10% increase in new working age claimants in receipt of out of work benefits, would raise costs of the scheme by up to £800k.

Claimant Type	As at Jan 21		As at Jan 20	
	Number of Claimants	Cost of Support	Number of Claimants	Cost of Support
Working Age - Employed	1,395	£744,013	1,462	£766,163
Working Age - Not Employed	5,293	£4,149,578	4,564	£3,415,278
Pension Age	3,601	£3,576,952	3,784	£3,586,268
Total	10,289	£8,470,544	9,810	£7,767,708

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 design of the current scheme builds in various protections and incentives and supports a high collection rate. For 2019/20 the amount of council tax collected in the year it was billed was; for those in receipt of LCTS 93.62%, against an overall in-year collection rate of 98.22%.

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.

3.6 Complaints

There have been no specific complaints recorded regarding the council's scheme in the last year.

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 undertake a full public consultation on any proposed scheme changes.

6. Implications

6.1 Financial

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

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

6.2 Legal

Implications verified by: **Tim Hallam**
Deputy Head of Law and Deputy 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 11th March 2021 at the latest to enable the authority to implement the scheme from 1st April 2021.

6.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
Community Development and Equalities Officer

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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