

<b>25 January 2023</b>		<b>ITEM: 13</b>
<b>Council</b>		
<b>Local Council Tax Scheme</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor Graham Snell, Cabinet Member for Finance		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Jonathan Wilson, Interim Director of Finance		
<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.

For the forthcoming year, it is recognised that the Council needs to identify savings to close the budget gap. However, when considering the level of Local Council Tax Support for the forthcoming year, this needs to be balanced against the comparative cost of the current scheme; the economic climate; and the ability of claimants to accommodate reduced support.

This report provides details of Thurrock's current scheme and further analysis to support the recommendation that the current scheme remains unchanged for 2023/24.

### **1. Recommendations**

- 1.1 To note the analysis of the current scheme.**
- 1.2 To support the recommendation that the current scheme remains unchanged for 2023/24.**

**1.3 To support the recommendation that in light of the Council's financial situation a fuller review of the scheme will be carried out in 2023/24, in advance of setting the 2024/25 budget.**

## **2. Introduction and Background**

2.1 The design of each LCTS scheme must be finalised by the 11 March 2023 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 £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 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/review 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 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 suggests the project will not be 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 the October 2022, there was a total LCTS case load of 9,209 with 3,868 of these claims were related to claimants 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 Level of Support and affordability**

The current Thurrock scheme operates a means tested approach, with maximum discounts for working aged people set at 75%. The current level of discount provides:

- a historic high average annual collection rate of approximately 96%. It should however be noted that within the previous financial year, the collection rate dipped to 92% as a result of the pandemic and decreased collection activities. Whilst collection rates for the current year have recovered and are forecast to achieve 96%, this will need to be closely monitored in line with wider rising cost of living pressures and considered within future schemes.
- The overall cost of Thurrock's LCTS scheme is below average when benchmarked by CIPFA against other unitary authorities.
- The maximum level of support provided to working age claimants is in line with other Essex authorities along the South Essex Corridor as outlined in the table below:

<b>Authority</b>	<b>Max. Support Level</b>
Basildon	75%
Castle Point	70%
Southend-on-Sea	75%
<b>Thurrock</b>	<b>75%</b>

When considering any changes to the scheme, whilst the maximum level of support afforded to eligible working age claimants is entirely at the Council's discretion, in order to maintain a fair and effective scheme, the Council needs to consider both the cost of providing support and the ability of claimants to contribute towards services funded by Council Tax.

Based on the current caseload, the cost/saving of reducing/increasing the maximum level of support by 5%, to 70% would generate additional Council tax revenue of approximately £230k per annum.

Careful consideration will be required when considering alternative levels of support in the future, as reducing the maximum level of discount a person could claim may make Council Tax unaffordable for residents on a lower income and therefore could lead to a reduced collection rate, which would have an adverse financial impact. Conversely, increasing the maximum level of discount on the scheme would reduce the overall Council Tax yield, and place a further burden on the Council's financial position.

Further to this, whilst the Council needs to make savings or identify way to increase overall levels of income, considering any reductions to the discount the scheme offers will need to take into account the wider burdens on peoples' finances in the current economic climate, and the Council requirement to increase the overall level of Council Tax within the Medium-Term Financial Strategy.

Therefore, on balance, the recommendation is to maintain the current scheme for the forthcoming year and to undertake a fuller review of the scheme within

2023/24, with any amendments being introduced as part of the 2024/25 financial year.

### 3.5 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 will continue to be closely monitored.

Within Thurrock for the period October 2021 to October 2022, the number of claims in payment decreased by 795 with a reduced cost of £470k. However, when considering these numbers, we also need to take into account the risk that claimant numbers and associated costs will again increase within the forthcoming year as a result of the current economic climate.

Claimant Type	Number of Claimants		Total Awarded	
	As at Nov 22	Var. Oct 21	As at Nov 22	Var. Oct 21
Working Age – Employed	970	-362	£798,580.12	£40,145.62
Working Age – Not Employed	4794	-331	£3,784,374.80	-£402,221.90
Pension Age	3445	-102	£3,608,265.90	-£108,828.40
<b>Total</b>	<b>9209</b>	<b>-795</b>	<b>£8,191,220.82</b>	<b>-£470,904.68</b>

### 3.6 Complaints

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

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

4.1 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.

4.2 The scheme was considered by the Corporate Overview and Scrutiny Committee on 8 December 2022. This included comment on the level of claimants using the scheme but no wider proposed changes to the scheme ahead of the reassessment in 2023/24.

## **5. Implications**

### **5.1 Financial**

Implications verified by: **Mike Jones**

#### **Strategic Lead 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 5,215 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 negative impact of having a lower collection rate, which could subsequently lead to increased bad debts. Therefore, this concludes that there is no financial benefit in reducing the level of discount offered to residents at this time, and without a comprehensive review of the scheme.

Furthermore, consideration has been given to the residents who qualify for the scheme, and their ability to pay an increased level of Council Tax in the current economic climate, and therefore it is proposed that the scheme remains unchanged from the current financial year.

### **5.2 Legal**

Implications verified by: **John Jones**

#### **Director of Law and Governance, and 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 2022/23. 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 2023 for the Council Tax year 2023/24.

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 2023/24 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.

### 5.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**

**Team Manager - 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.

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

N/A

### 6. **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.

### 7. **Appendices to the report**

None

### **Report Author**

Andy Brittain

Strategic Lead for Revenues and Benefits