

Report to Council

Report Title	Local Council Tax Support Scheme	
Date of Meeting	Wednesday, 29 January 2025	
Report Author	Andrew Brittain – Head of Revenues and Benefits	
Corporate Director	Dawn Calvert - Chief Financial Officer S151	
Lead Cabinet Member(s)	Cllr Sara Muldowney - Cabinet Member for Resources	
Why is this a key decision?	1. Expenditure over £500K	Yes
	2. Significant impact on 2 or more wards	Yes
Wards Affected	(All Wards);	
Identify exempt information and exemption category	Choose an item. N/A	
Appendices (if any)	1. Summary of benchmarking and conclusions	

1. Executive Summary

- 1.1 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 after other discounts have been applied.
- 1.2 Each year, the Council is required to review its 'LCTS' Scheme for Working age people in accordance with the requirements of schedule 1A of the Local Government Finance Act 1992.
- 1.3 Under 'LCTS' regulations, people of pensionable age are protected and therefore the Council only has discretion in the design of the part of the scheme relating to people of working age.
- 1.4 Having reviewed its scheme, the Council must then decide to either maintain the existing scheme or replace it for the forthcoming financial year.
- 1.5 There is no requirement to undertake a public consultation if the Council intends to maintain its existing scheme. However, where changes are proposed, a full public consultation must be undertaken on the intended changes before a final decision is made.

- 1.6 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, which would be significantly more expensive for the Council to maintain.
- 1.7 When agreeing the scheme for 2024/25, Council approved the recommendation, that in light of the Council's financial situation, a full review of the scheme will be carried out in 2024/25.
- 1.8 Commissioner's comments supported this recommendation and commented that in advance of 2025/26, there needs to be a full review of the scheme and all aspects of benchmarking with peers to ascertain where there are policy choices to raise further income for 2025/26.
- 1.9 This report outlines a summary and findings of the review, the alternative options considered and reasoning for the recommendation that the current scheme continues unchanged for 2025/26.

2. Recommendations

For the reasons set out in this report, the Council is recommended to:

- 2.1 Note the analysis and review of the current Local Council Tax Support (LCTS) Scheme for Working age people.
- 2.2 Approves that the current Local Council Tax support scheme for working age people which has been in place since 2017/18 continues for 2025/26 with no changes:
 - 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. Commissioner's Comments

No further comments

4. Proposals – the rationale and evidence for the recommendations

Introduction and Background

4.1 Local Council Tax Support (LCTS) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:

- placed the duty to create a local scheme for **Working Age** applicants with billing authorities;
- reduced initial funding by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
- prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.

4.2 Since that time, funding for the 'LCTS' scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.

4.3 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 £1.4m.

Overview of the current scheme.

4.4 The current 'LCTS' scheme administered by the Council, is effectively divided into two with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age people being determined solely by the local authority.

4.5 The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of 'LCTS' can only be made to the working age scheme.

4.6 When 'LCTS' was introduced in 2013, for working age applicants, the Council broadly adopted the previous means-tested Council Tax Benefit scheme as the basis of awarding support. However, the maximum level of support that could be provided, due to the reduction in financial support from Central Government is 75% (under the previous fully centrally funded Council Tax Benefit scheme up to 100% support would have been provided).

4.7 The existing 'LCTS' scheme for working age 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.

4.8 The current latest best estimate for the cost of providing the scheme in 2024/25 is £9.5m.

4.9 The number of claimants in receipt of 'LCTS' support has reduced by 308 over the last 12 months which equates to a projected annual reduction in the cost of providing support of £176k.

4.10 As a result, the forecast cost for 2025/26 of maintaining the scheme for the Council based on current charges is £9.3m. As an award of 'LCTS' reduces the amount of Council Tax charged, the costs associated with 'LCTS' are factored within the Council Tax base forecast and monitored through the collection fund.

Claimant Type	Number of Claimants		
	Oct-24	Oct-23	Total
Working age	5406	5666	-260
Pension Age	3338	3386	-48
Total	8744	9052	-308

Considering changes to the scheme for 2025/26

4.11 To inform recommendations on the design of the 'LCTS' scheme for 25/26, the current scheme has been:

- reviewed for strengths and weaknesses;
- key design elements determining level of support have been benchmarked against other Essex authorities;
- considered in line with the ongoing migration to Universal Credit.

4.12 In line with the recommendation, the review has focussed on identifying opportunities to reduce both the cost of administration but also the cost of providing support itself.

Summary of review findings

4.13 In general, the current scheme has operated well since it was introduced driving high collection, fast processing times and minimal complaints.

4.14 The scheme remains accessible to applicants with the application process for LCTS 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.

4.15 Benchmarking of key design elements showed that Thurrock's scheme remains broadly inline with levels of support offered by other Essex authorities. A summary of key findings are provided in appendix 1.

Challenges

4.16 Universal Credit 'UC'. The current forced migration phase which is due to complete for the majority of working age claimants by March 2025 is creating changes itself within the LCTS claimant base. This has made forecasting the impact of changes particularly challenging and continues to be an ongoing risk until the migration completes.

4.17 It is widely recognised that the design of 'UC' means that levels of entitlement can fluctuate more regularly than the legacy benefits it replaced. As a result, as the migration progresses, the Council is experiencing increased costs in administering this process due to the high level of changes to entitlement being received.

Typically, a UC claimant can have 8 to 12 such changes within a year. These changes result in increased costs of administration through multiple changes to liability with significant staffing resource input required along with the additional cost of rebilling/printing/postage etc.

4.18 To mitigate this issue, the majority of other Essex authorities are either considering or have moved to a banded income scheme which can simplify the assessment process as award levels are derived by the bracket relevant

income falls into by household circumstances. As a result, should income fluctuate by small amounts, this is far less likely to trigger the need for a reassessment.

However, one of the potential consequences of a moving to a banded scheme is that it can create winners and losers especially where they sit towards the top or bottom of an income band. As a result, authorities need to take great care in designing a scheme that is right for their caseload.

Prioritisation

- 4.19 In view of the need to consult on a proposed specific change to the scheme rather than a range of changes, having considered the benchmarking findings (appendix 1) the option to reduce the administrative burden by moving to a banded income scheme for 2025/26 was prioritised for further consideration.
- 4.20 In conjunction with the consultation, detailed modelling of this option was undertaken throughout the year to monitor both the impact on the administration but also the claimant.

Public Consultation – Summary

- 4.21 A consultation was launched on the Council's portal on 22nd September and ended on 31st October.
- 4.22 Whilst the consultation generated significant interest with over 1500 residents viewing the questions, only 46 provided a response.
- 4.23 Of those responding, there was a small majority who were in favour of moving to the banded scheme.

Modelling of a banded scheme – Summary

- 4.24 The draft scheme was set up in the test environment to understand the impact on the level of required re-calculations following changes to universal credit.
- 4.25 Of the samples tested, there was a significant reduction in the level of reassessments required.

Impact on Claimants

- 4.26 The migration to Universal Credit is still ongoing. Therefore the claimant caseload and analysis remains subject to ongoing change/uncertainty.
- 4.27 Analysis showed that of the 5420 working age claimants, the vast majority would receive the same or more under a banded scheme with :
- 4383 household would receive the same level of support;
 - 700 lower income households would be better off by on average by £466.44 per household per annum, or £8.97 per week.

However:

- 337 households would be worse off, including 62 households who would cease to receive Council Tax Support;
- Households worse off would lose an average of £418.08 per household per annum, or £8.04 per week.

Summary basis for recommendation to retained current scheme.

4.28 Whilst moving to a banded scheme remains a consideration for future years, due to the impact on those who would be worse off and the current stability of the base whilst migration to Universal Credit continues, it is the recommendation of officers that the current scheme should remain in place for the 2025/26 financial year.

5. Alternative options considered

5.1 The review and further options considered are set out within the body of this report.

6. Consultation

6.1 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 the Council continue to meet this requirement noting the fact that no changes are proposed for the following municipal year.

7. Financial Implications

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

7.2 Based on current estimates and charges, the cost of LCTS equates to reduction in Council Tax income of £9.3m which is equivalent to 4,609 band D equivalent properties.

7.3 The actual cost of the scheme against forecast will be monitored through collection fund reporting throughout the financial year.

Implications Verified by Nisshanth Narendran, Head of Financial Business Partnering (Place & Corporate)

Date 12/12/2024

8. Risk Implications

The following risks and mitigations have been identified in relation to the LCTS scheme.

RISK DESCRIPTION & CONSEQUENCE	MITIGATIONS	RESIDUAL RISK STATUS (after mitigations)
Council does not meet its statutory deadline to agree its scheme by 11th March.	The timeline for review and consultation has been designed to ensure reports are issued to members ahead of this deadline.	Green

<p>The council cannot make amendments to the scheme in year, therefore carries the inherent risk that the cost of the scheme may exceed forecast if claimant numbers increase.</p>	<p>The LCTS cost form part of the council tax base calculations. The forecast is set taking account of all known factors and actuals are closely monitored throughout the financial year within the collection fund.</p>	<p>Green</p>
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Implications Verified by Kelly Mcmillan, Chief risk advisor

Date 20/12/2024

9. Legal and Governance Implications

- 9.1 Pursuant to section 31A Local Government Finance Act 1992 the Council is required to set an annual budget. Pursuant to paragraph 6, Chapter 2, Part 1 – Article 4 of the constitution requires the annual budget to be approved by resolution of the Council, which includes setting the Council Tax. The report asks Cabinet to note and/ or recommend decisions to Council, who is the appropriate decision maker in the circumstances.
- 9.2 The Council has the power to take the decisions as set out in this report, under the statutory provisions set out in the rest of these implications. 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.
- 9.3 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.
- 9.4 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.
- 9.5 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 2025 for the Council Tax year 2025/26
- 9.6 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.

Implications Verified by Helen Nicol, Assistant Director Legal & Governance

Date 2 January 2025

10. Equality and Diversity Implications (including the public sector equality duty)

- 10.1 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
- 10.2 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.
- 10.3 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.

Implications Verified by Rebecca Lee – Team Manager Community Development

Date 20 December 2024

11. Other Relevant Implications

- 11.1 N/A

12. Background Documents

- 12.1 N/A