

Report of:	Meeting	Date
Councillor Michael Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Council	28 October 2021

### Localised Council Tax Support

#### 1. Purpose of report

- 1.1 To confirm the continuation of the current Localised Council Tax Support (LCTS) Scheme for the 2022/23 financial year.

#### 2. Outcomes

- 2.1 Improved incentives to work, ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency.
- 2.2 Compliance with the Welfare Reform Act 2012 and specifically its provisions for the abolition of Council Tax benefit and replacement with new localised schemes (from 1 April 2013).

#### 3. Recommendations

- 3.1 That the current LCTS Scheme be continued into the 2022/23 financial year noting the maximum percentage contribution from working age claimants remains unchanged at 8.5%.
- 3.2 That the current policy be confirmed, recognising that it includes a number of specified amounts used to calculate entitlement, which may change in line with up-ratings published by the DWP. Recognising also that there may be minor adjustments to the scheme should further guidance be received from the Department for Levelling Up, Housing and Communities and that the roll out of Universal Credit (UC) will ultimately replace existing social benefits. The Head of the Contact Centre is to have the delegated authority to make these minor adjustments.

## **4. Background**

- 4.1** As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished and in accordance with the Local Government Finance Act 2012 local authorities were required to introduce Localised Council Tax Support (LCTS) schemes from April 2013.
- 4.2** Support for Council Tax is offered as reductions within the Council Tax system with claimants of state pension credit age receiving a discount of up to 100% depending on their circumstances, thereby ensuring that they experience no reduction in support as a direct result of the reform.
- 4.3** Localisation provided local authorities with the flexibility to design LCTS schemes for working age claimants taking into account the needs of vulnerable groups and the importance of supporting work incentives. Following a consultation exercise, the Council agreed at their meeting of 29 November 2012 to adopt a scheme that mirrored the outgoing CTB scheme with one main difference. Under the new LCTS scheme working age claimants previously entitled to 100% CTB would have to meet 8.5% of their council tax liability from 1 April 2013. This change allowed the council to qualify for transitional grant for one year.
- 4.4** After consultation in 2018, the original scheme was simplified for 2019/20, with the introduction of:
- A “flat” rate of non-dependent deduction of £5 per week per non-dependent, to replace tiered non-dependent deductions based on non-dependent income;
  - An income “cushion” of £10 per week “up or down” in order to minimise the number of changes to claimants’ LCTS awards, and;
  - The discontinuation of the Second Adult Rebate Scheme.
- 4.5** An equality impact assessment was completed prior to the amended scheme being introduced.
- 4.6** The amended scheme was agreed by full Council on 17 January 2019 and this was reconfirmed as the 2020/21 scheme on 9 January 2020. The scheme for 2021/22 was agreed on 12 November 2020 and again remained unchanged. This consistency has been beneficial during the pandemic and a more comprehensive review is expected for the 2023/24 scheme.

## **5. Key issues and proposals**

- 5.1** Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 requires the authority to consider whether for each financial year the scheme is to be revised or replaced. The authority must make any revision to its scheme, or any replacement scheme, no later than 31 March in the financial year preceding that for which the revision or replacement scheme is to have effect. Where this is the case then the procedural requirements in paragraph 3 of that schedule will apply, namely that the authority must:

- Consult any major precepting authority;
- Publish a draft scheme; and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

As no amendments are proposed to the current LCTS scheme, no consultations have been undertaken.

- 5.2** As at the end of September 2021, the number of working age claimants eligible for council tax support was 5,581 compared to 5,717 at the end of September 2020, a decrease of 136 cases. This decrease is largely due to the return to work of some of those furloughed or made redundant as a consequence of the Covid-19 pandemic.
- 5.3** The number of pensioners eligible for council tax support at the end of September 2021 was 3,881 compared to 4,052 in September 2020, a reduction of 171. The reduction being attributable to a combination of the ongoing review of pension credit eligibility that has subsequently nullified some pensioners' entitlement to LCTS, and also to the increase in deaths amongst the pensioner population as a consequence of the Covid-19 pandemic.
- 5.4** The value of LCTS awarded as at the end of September 2021 was £9,586,173 compared to £9,670,492 last year, a decrease of £84,319, with the decrease being attributable to the easing of the Covid-19 pandemic lockdown restrictions and the return to work of some of those furloughed/made redundant.
- 5.5** The council tax collection rate for 2020/21 was 95.73%, a decrease of 1.13% when compared to the 2019/20 rate of 96.86%. This decrease is a consequence of the Covid-19 pandemic and in particular the closing of the Magistrates Courts, which meant that throughout 2020/21 formal recovery action could not be taken to collect unpaid council tax.
- 5.6** Instead, various informal correspondence was sent to non-payers during 2020/21, advising them of the options open to them if they were impacted financially by the pandemic and couldn't afford to pay their council tax. As a result in excess of 1,200 extended payment arrangements were made, allowing payers to spread their 2020/21 council tax over a longer period of up to 36 months in order to make it more affordable.
- 5.7** In addition, £847,779 was awarded in council tax Hardship Grant payments to council tax payers in receipt of LCTS, or experiencing severe financial hardship as a result of the pandemic. The Government provided total funding of £1,043,738 for this purpose. The remaining balance of the funding is being distributed this financial year to help pay the outstanding 2020/21 council tax of those who are still struggling to pay, but as yet haven't stepped forward for assistance.
- 5.8** The Magistrates Courts are now scheduling hearings for council tax arrears cases again and the formal recovery process for the collection of outstanding council tax owing from 2020/21 has re-commenced. In May 2021 formal reminder notices were sent to payers who had not contacted

the council to make an extended payment arrangement to clear their council tax for 2020/21 and had not subsequently either maintained that arrangement, or paid the outstanding balance owing. In June 2021, 3,707 Liability Orders were obtained from the Magistrates Courts, allowing the council to take further recovery action to collect unpaid council tax from 2020/21.

- 5.9** A number of local authorities were originally considering changes to their current LCTS schemes for 2022/23, including increasing the minimum contribution required from those council tax payers in receipt of social benefits to upwards of 40%. Given the financial impact of the pandemic on the finances of many Wyre residents, and the substantially increased difficulties this council now faces in collecting minimum contributions of 8.5% from taxpayers, making any changes to the LCTS scheme for 2022/23 would be likely to increase further the amount of uncollectable council tax debt.
- 5.10** In addition, the council tax debt management initiative led by Her Majesty's Revenue and Customs, which was due to go live in 2020, has been further delayed because of the pandemic, and is not now expected to be implemented nationally until 2022. As the council will rely heavily on this initiative to identify debtors' employers in order to make attachments to their earnings, this further delay means that it is considered prudent not to make any further changes to the current working age LCTS scheme at this time.
- 5.11** In leaving the current LCTS scheme unchanged next year, Wyre will continue to protect the most vulnerable in our society by limiting the maximum contribution to LCTS for those on full benefit to 8.5%. Our neighbouring Fylde Coast council, Blackpool currently ask their residents to pay between 13.56% and 27.11%, while Fylde charge 22%, and their collection rates for 2020/21 were 87.8% and 95.2% respectively.

<b>Financial and legal implications</b>	
Finance	<p>The council was previously reimbursed by the DWP for expenditure in relation to correctly awarded CTB but as part of the welfare reforms, expenditure on Localised Council Tax Support was reduced by 10%. The Local Government Finance Settlement included £8,077,777 for Council Tax Support in 2013/14 and of this, £963,119 was retained by Wyre.</p> <p>The Government claim that the total level of localised council tax support funding remained unchanged in cash terms in 2014/15 although there has been no separately identifiable amount for localised council tax support at local authority level since it was subsumed within the Revenue Support Grant (RSG) and Baseline Funding. It is also worth remembering that the Council suffered a reduction in grant</p>

	<p>funding of £1.022m or 13.6% in 2014/15 and no longer receives any RSG (from 2019/20).</p> <p>The 2022/23 budgets are not yet known but by inflating the updated 2021/22 anticipated expenditure on LCTS of £9,700,000 (revised down from £10,079,270) by 4.09%, Wyre's average council tax increase in 2021/22, this indicates that the estimated cost of the scheme for 2022/23 would be approximately £10,096,730. Applying these indicative start-up funding allocation of £8,077,777 leaves an unfunded gap of approximately £2,018,953 to be met by each precepting body as follows:</p> <table border="1" data-bbox="555 622 1433 891"> <thead> <tr> <th></th> <th style="text-align: right;">%</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Wyre</td> <td style="text-align: right;">10.6</td> <td style="text-align: right;">214,009</td> </tr> <tr> <td>Parish/Town Councils*</td> <td style="text-align: right;">1.1</td> <td style="text-align: right;">22,209</td> </tr> <tr> <td>Combined Fire Authority</td> <td style="text-align: right;">3.6</td> <td style="text-align: right;">72,682</td> </tr> <tr> <td>Lancashire Police Authority</td> <td style="text-align: right;">11.4</td> <td style="text-align: right;">230,161</td> </tr> <tr> <td>LCC</td> <td style="text-align: right;">73.3</td> <td style="text-align: right;">1,479,892</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">2,018,953</td> </tr> </tbody> </table> <p>*This is an average cost and will not necessarily be incurred by individual Parish/Town Councils.</p> <p>A Council Tax Hardship grant of £1,043,738 was awarded in 2020/21 to support those most severely affected by COVID-19 and the remaining balance carried forward of £195,959 will continue to be used to offset the impact of the additional costs in 2021/22 caused by the increased LCTS claimants. It is unknown what support will be available from central government in 2022/23, if any.</p>		%	£	Wyre	10.6	214,009	Parish/Town Councils*	1.1	22,209	Combined Fire Authority	3.6	72,682	Lancashire Police Authority	11.4	230,161	LCC	73.3	1,479,892			2,018,953
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Legal	The legal requirements are set out in the body of the report.																					

### **Other risks/implications: checklist**

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	✓
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

## **Processing Personal Data**

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

None

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