

Report of:	Meeting	Date
Councillor Michael Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources (Section 151 Officer)	Cabinet	19 October 2022

Potential changes to the Localised Council Tax Support Scheme in order to provide additional financial support to those on the lowest incomes

1. Purpose of report

- 1.1 To agree the draft Localised Council Tax Support (LCTS) Scheme prior to commencing consultation.

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 A working-age LCTS Scheme that it is fit for purpose and administratively streamlined as the rollout of Universal Credit Full Service (UCFS) increases.
- 2.3 A working-age LCTS scheme that provides better support to those on the lowest incomes during the cost of living crisis.

3. Recommendation

- 3.1 That the draft changes to the scheme be agreed and subject to a six week consultation period prior to a further report being submitted to Council outlining the results of the consultation exercise and seeking confirmation of the final scheme.

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 now offered as reductions within the Council Tax system with claimants of state pension credit age receiving a discount of up to 100% thereby ensuring that they experience no reduction in support as a direct result of the reform.
- 4.3** Localisation provided local authorities the flexibility to design Council Tax Support 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 (which qualified for transitional grant for one year) ensuring that:
- Those who would be entitled to 100% support under current Council Tax benefit arrangements pay between zero and no more than 8.5% of their net Council Tax liability;
 - The taper does not increase above 25%;
 - There is no sharp reduction in support for those entering work – for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award.
- 4.4** The original LCTS scheme implemented in 2013/14 largely “mirrored” the CTB scheme it replaced, with the only changes made in the period to the end of the 2018/19 financial year being to reflect fluctuations in the applicable amounts and allowances used to calculate entitlement.
- 4.5** For 2019/20, the scheme was amended to also include an income cushion which allowed changes of up to £10 up or down in claimants income to be disregarded, thus reducing the number of occasions on which a claimant’s entitlement to LCTS was recalculated.
- 4.6** The income cushion was implemented to nullify the impact of the migration of legacy benefits to Universal Credit (UC); a benefit for which entitlement to is calculated on a monthly basis. As a consequence of the continuing UC roll-out, the council receive a minimum of one electronic notification every month in respect of each working-age LCTS claimant who also claims UC, but many of the notifications advise the council of changes in income of less than £10.
- 4.7** The income cushion ensured that the council tax collection process could continue to operate. The impact of sending new council tax bills out to claimants on a monthly basis was that council tax instalments were also being recalculated on a monthly basis, with reminders not subsequently being issued in respect of those UC claimants who failed to pay their council tax. Implementing the income cushion alleviated the need to recalculate many LCTS claim on a monthly basis, subsequently allowing non-payment cases to progress to the reminder and summons stages and allowing the council to take further action if necessary to try and collect unpaid council tax.

- 4.8** Since 2019/20 the LCTS scheme has remained unchanged, with the exception of the amendment agreed 10 March 2022 to the 2022/23 scheme to reflect the requirement to disregard the £150 Energy Bill Rebate when calculating entitlement to LCTS.
- 4.9** However, following the pandemic and the conflict in Ukraine, the resulting global increase in food and energy prices requires that some changes be considered to the scheme. These changes would result in more financial support being provided to those on the lowest incomes, while at the same time easing the administrative burden associated with the collection of council tax.

5. Key issues and proposals

- 5.1** The current working-age LCTS scheme includes a requirement that claimants contribute a minimum of 8.5% towards the cost of their council tax. For example, a single adult living in a property banded in council tax band B in Thornton Cleveleys and entitled to receive maximum LCTS, would still be required to pay £101.29 of their 2022/23 council tax. At a time when those on the lowest incomes are already struggling to meet the increasing costs of living, the increases in household energy costs are already impacting significantly on them. Removal of the 8.5% minimum contribution requirement from working-age LCTS claimants would relieve some of the increasing pressure on their finances at a relatively low cost to the council.
- 5.2** As at 31 August 2022, the council had awarded a total of £9,344,490 in LCTS payments for 2022/23. As at the same date, there were 5,145 working-age LCTS claims in payment. An 8.5% reduction is applied to the amount of LCTS these claimants receive. Pension-age LCTS claimants (3,812 as at 31 August 2022) do not have any reductions applied as their entitlement is determined by the regulations in the national scheme. Based on the current LCTS caseload, it is estimated that removal of the 8.5% minimum contribution requirement from working-age LCTS claimants would cost the council between £55,000 and £65,000 per year in additional LCTS payments. The cost to other preceptors will also increase as each bears a proportion of the council tax bill with Wyre's element being around 11%.
- 5.3** While the LCTS costs incurred by the council and other preceptors would increase, other issues that have impacted positively in reducing the percentage of council tax collected that each preceptor loses to LCTS should also be noted. The LCTS caseload has decreased since it came into force. On 01 April 2014, 10,388 claims were in payment, comprised of 5,541 working-age claims and 4,847 pension-age. On 31 August 2022, the caseload stood at 8,957 (5,145 working-age claims and 3,812 pension-age), a reduction of 1,431 cases (396 working-age and 1,035 pension-age).

- 5.4** During the same period the number of payers the council collect council tax from has increased substantially. On 1 April 2014 there were 50,906 properties listed on the database. As at 31 August 2022 that number had increased by 5,535 to 56,441 (this figure includes 1,948 properties awaiting banding by the Valuation Office Agency).
- 5.5** The removal of the 8.5% minimum contribution would also impact positively on council tax collection rates and the council tax collection process. For a number of reasons the collection of unpaid council tax has become increasingly problematic, particularly in respect of outstanding debt owed by those in receipt of both UC and LCTS. Once the council have obtained a Liability Order through the courts, these debts are normally collected by applying for an attachment to the debtor's UC.
- 5.6** Unfortunately, a number of other debts, including those owed by the debtor to the DWP in respect of other overpaid benefits, are also collected via an attachment to the debtor's UC account, and only a maximum of two debts can be collected by attachment to the debtor's UC account at any one time.
- 5.7** As council tax is low in the list of priority debts for an attachment to UC, the council's applications for attachments to UC are frequently rejected, deferred or ended before the outstanding debt has been collected, with the end result being that an increasing number of council tax debtors who also claim UC have multiple years' council tax debts that the council tax compliance team cannot collect.
- 5.8** Even on the occasions when requests for attachments to UC are successful, the rate at which the debts are subsequently collected (by monthly deduction) is insufficient to clear the amount outstanding before the next year's council tax debt is due. To summarise, many Wyre council tax payers in receipt of both UC and LCTS are falling further and further behind with their council tax and there are very limited viable alternative actions available to the council to collect the debt.
- 5.9** Taking the information in points 5.1 to 5.8 into account it is proposed that permission is given to undertake a public consultation with regard to removing the 8.5% minimum payment requirement for those council tax payers also in receipt of LCTS.
- 5.10** While removal of the required 8.5% minimum contribution would help those with the lowest incomes meet the increasing costs of living, it is important to ensure that this additional support is not being given to those who are better able to support themselves financially. With this in mind, attention is drawn to the capital limit for LCTS claimants, which stands at £16,000. This is the maximum amount of money in the form of cash, savings, stocks and shares that the claimant can hold before they cannot qualify for LCTS. It is proposed that a reduction in the capital limit is also included in any public consultation agreed (no lower than £6,000).

- 5.11** The entitlement to LCTS of applicants who are self-employed, but do not have certified accounts or audited proof of earnings, is currently calculated largely via the applicant estimating their future earnings. When calculating the entitlement of the self-employed to claim UC, the DWP use a mechanism called the “minimum income floor”, whereby they calculate the expected earnings of self-employed applicants using the living wage and realistic expectations of the hours the applicant is expected to work in order to calculate their entitlement to UC. This could be done with regard to self-employed LCTS applicants. For example, a minimum income floor of 35 hours per week at the current living wage rate could be set, with this figure being used to calculate LCTS entitlement. In doing this, not only would it simplify the application process, but the council would ensure that in many cases a more realistic income figure would be used to calculate self-employed entitlement to LCTS. It is therefore proposed that the consultation includes the introduction of a minimum income floor for self-employed LCTS claimants.
- 5.12** If the proposal to undertake a public consultation regarding the issues identified in this report is agreed, then the consultation will take place from 20 October for six weeks until 1 December, after which a report will be brought to Full Council on the proposed changes to the scheme. Any changes agreed would take effect from 1 April 2023.

Financial and legal implications	
Finance	There are no financial implications arising directly from this report.
Legal	The Welfare Reform Act 2012 abolished Council Tax Benefit and since 1 April 2013 local authorities in England have been responsible for administering their own Council Tax Reduction Schemes. A public consultation must be carried out before any changes to the scheme can be considered.

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	x
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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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

None