

Report of:	Meeting	Date
Councillor David Henderson, Resources Portfolio Holder and Clare James, Corporate Director Resources	Council	26 January 2023

Localised Council Tax Support Scheme

1. Purpose of report

- 1.1 To confirm the proposed changes to the current Localised Council Tax Support (LCTS) Scheme for the 2023/24 financial year.

2. Outcomes

- 2.1 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).
- 2.2 A working-age LCTS Scheme that remains fit for purpose and administratively streamlined as the rollout of Universal Credit Full Service (UCFS) continues.
- 2.3 A working-age LCTS scheme that provides better support to those on the lowest incomes during the current economic climate and reduces barriers to seeking employment.

3. Recommendations

- 3.1 That the following changes to the LCTS scheme proposed in this report be agreed:
- Removal of the 8.5% minimum contribution requirement from working-age LCTS claimants.
 - A Minimum Income Floor (MIF) is introduced in order to calculate self-employed income to establish LCTS entitlement.

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 a minimum 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 as was the case for 2022/23 (agreed 28 October 2021). However, a minor change to the 2022/23 scheme was agreed by full Council on 10 March 2022 to allow for the disregard of the £150 Energy Bill Rebate payments when calculating entitlement to council tax support. This consistency has been beneficial. However the 2022/23 scheme’s report indicated that a more comprehensive review would be carried out for the 2023/24 scheme.
- 4.7** As such, Cabinet agreed at their meeting on 19 October 2022 to a six week consultation being run on changes to the scheme which primarily included the removal of the minimum contribution of 8.5% towards council tax for working age claimants.
- 4.8** On 23 December 2022 the Department for Levelling Up, Housing and Communities (DLUHC) wrote to local authorities to announce a new Council Tax Support Fund (CTSF) as part of the provisional Local Government Finance Settlement for 2023/24. The fund is provisionally allocating £235,954 to Wyre in order to provide support for the most vulnerable households in the borough.

4.9 The government expects local authorities to use the majority of this funding to reduce bills for current working age and pension age LCTS claimants by up to £25. Councils may use their remaining allocation as they see fit to support vulnerable households with council tax bills. It is the government's intention that any assistance provided from the CTSF will not affect the eligibility of recipients to other benefits.

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 (91.5% discount), would still be required to pay £101.29 of their 2022/23 council tax. Those on the lowest incomes are already struggling to meet the increasing costs of living, such as rising household energy bills. 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 October 2022, the council had awarded a total of £9,326,908 in LCTS payments for 2022/23. As at the same date, there were 5,132 working-age LCTS claims in payment. An 8.5% reduction is applied to the amount of LCTS these claimants receive. Pension-age LCTS claimants (3,797 as at 31 October 2022) do not have any reductions applied (they are protected) as their entitlement is determined by the regulations in the national scheme.

5.3 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% each year.

5.4 It is important to note that the LCTS caseload has decreased since the scheme came into force. On 1 April 2014 10,388 claims were in payment, comprising of 5,541 working-age claims and 4,847 pension-age claims. On 31 October 2022 the caseload stood at 8,929 (5,132 working-age claims and 3,797 pension-age claims), a reduction of 1,459 cases (409 working-age and 1,050 pension-age).

5.5 During the same period the number of households the council collects council tax from has increased substantially. On 1 April 2014 there were 50,906 properties listed on the council tax database. As at 31 October 2022 that number had increased by 3,715 to 54,621, with a further 1,808 properties registered on the database, but not yet banded by the Valuation Office Agency, as they are either still under construction or represent planning applications that haven't commenced (and some may never be built).

- 5.6** The removal of the 8.5% minimum contribution should 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 Universal Credit (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.
- 5.7** Unfortunately, a number of other debts, including those owed by the debtor to the Department for Work and Pensions (DWP) in respect of other overpaid benefits, are also collected via an attachment to the debtor's UC account. A maximum of two debts can be collected by an attachment to a UC payment at any one time which severely limits the council's ability to recover this debt as we are often lower down in the debt hierarchy.
- 5.8** 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.
- 5.9** 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, a significant number of 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 recovery actions available to the council to collect the debt. As at 28 November 2022, 850 working-age LCTS claimants had multiple years outstanding summonsed council tax debt and during the financial year to date 1,445 have been summonsed for non-payment. Amending the scheme to remove the minimum contribution of 8.5% will help to draw a line under this and prevent it continuing in future years.
- 5.10** 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 11 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.
- 5.11** A consultation was undertaken regarding the removal of the 8.5% minimum payment requirement and two other changes detailed later in this report. The consultation period was for six weeks from 29 October to

1 December 2022. A copy of the results of the consultation is attached at Appendix 1. Of the 67 responses received, 41 (61.2%) responders either agreed or strongly agreed with the proposal to remove the 8.5% minimum contribution, while 14 (20.9%) disagreed or strongly disagreed.

- 5.12** 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, consideration has been given to the qualifying capital limit for LCTS claimants, which currently 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.
- 5.13** Of the 66 responses to the proposal in the consultation to reduce the capital limit from £16,000, 29 responders (43.9%) agreed or strongly agreed that it should be reduced, with the same number disagreeing, or strongly disagreeing. In part, this proposal was put forward to allow that the qualifying capital limit used in the LCTS scheme could be adjusted to mirror the figure used in the calculation of entitlement to UC. As the DWP have elected not to change the UC qualifying capital limit, it is proposed not to change the qualifying capital limit for the working-age LCTS scheme at the current time. This will ensure consistency and remove any confusion arising for UC claimants who also claim LCTS.
- 5.14** Under the rules governing the operation of the current working-age LCTS scheme, in order to determine the income of an LCTS claimant when the claimant is also in receipt of an award of UC, the authority must use the calculation or estimate of the income of the applicant, made by the Secretary of State, for the purpose of determining the award of UC.
- 5.15** In order to calculate self-employed income the DWP use a mechanism called the Minimum Income Floor (MIF). This means that if a person is in gainful self-employment and their earned income (i.e. their profit from self-employment along with any employed earnings) amounts to less than their individual earnings threshold (the MIF), they are treated as having earned income equal to the MIF.
- 5.16** It is proposed that going forward the MIF amount will be used when calculating the entitlement of self-employed LCTS applicants, who do not also claim UC. The assessment of the MIF would mirror UC and would be the equivalent to the national minimum wage (depending on age) for each hour that the claimant is expected to work. For most people that will be 35 hours a week. However a lesser number of hours will be used if the person meets certain requirements (for example is a Carer, foster parent, responsible for a child under the age of 13, or has a physical or mental impairment). From that amount a standard deduction will be applied to reflect income tax and national insurance.
- 5.17** As at 28 November 2022, there were 108 self-employed LCTS claimants, five of whom were also in receipt of UC. It is anticipated that the number of self-employed LCTS claimants also in receipt of UC will increase as other legacy benefits currently in payment via the DWP are phased out.

- 5.18** In adopting the above proposal the council would ensure that a more realistic income figure would be used to calculate self-employed entitlement to LCTS, regardless of whether or not the applicant is also in receipt of UC.
- 5.19** Of the 64 responses to the proposal in the consultation to introduce a MIF, 30 (46.9%) agreed or strongly agreed with this proposal, while a further 20 (31.3%) neither agreed or disagreed and 6 (9.4%) didn't know.
- 5.20** In making the two changes proposed in this report, the council will ensure that financial support through the LCTS scheme is better targeted to those on the lowest incomes, while at the same time ensuring that the processes associated with the administration of the scheme and the collection of council tax debt become less resource intensive.
- 5.21** As part of the consultation process Lancashire County Council (LCC), Lancashire Police and Crime Commissioner and Lancashire Combined Fire Authority were all contacted and advised of the proposed changes. Copies of the responses to the proposals from LCC and Fire are attached at Appendix 2 and 3.
- 5.22** An Equality Impact Assessment has been completed in respect of the changes proposed in this report. As the removal of the 8.5% deduction to LCTS entitlement will be removed from every working-age LCTS claim it impacts equally and positively on every protected group. It will also restore the equilibrium lost between working-age and pension-age LCTS claimants when the LCTS scheme was introduced in 2013, as pension-age claimants on the lowest incomes don't have a minimum amount to pay.
- 5.23** As regards the self-employed, by using a standard method to calculate LCTS entitlement, the council will ensure that all applicants will be treated in the same way, regardless of whether the claimant is in receipt of UC or not. In addition, provisions will be in place to ensure that the circumstances of individual applicants with special circumstances, such as being carers, foster parents, or those with mental and physical disabilities, are taken into account.

Financial and legal implications	
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</p>

	<p>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 funding of £1.022m or 13.6% in 2014/15 and stopped receiving RSG between 2019/20 and 2021/22.</p> <p>The 2023/24 budgets are not yet known but by inflating the updated 2022/23 anticipated expenditure on LCTS of £9,326,908 by 4.01%, Wyre’s average council tax increase in 2022/23, this indicates that the estimated cost of the scheme for 2023/24 would be approximately £9,700,917.</p> <p>Applying these indicative start-up funding allocation of £8,077,777 leaves an unfunded gap of approximately £1,623,140 to be met by each precepting body as follows:</p> <table border="0" data-bbox="544 806 1434 1075"> <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;">10.4</td> <td style="text-align: right;">168,807</td> </tr> <tr> <td>Parish/Town Councils*</td> <td style="text-align: right;">1.1</td> <td style="text-align: right;">17,855</td> </tr> <tr> <td>Combined Fire Authority</td> <td style="text-align: right;">3.7</td> <td style="text-align: right;">60,056</td> </tr> <tr> <td>Police and Crime Commissioner</td> <td style="text-align: right;">11.5</td> <td style="text-align: right;">186,661</td> </tr> <tr> <td>LCC</td> <td style="text-align: right;">73.3</td> <td style="text-align: right;">1,189,761</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,623,140</td> </tr> </tbody> </table> <p>*This is an average cost and will not necessarily be incurred by individual Parish/Town Councils.</p> <p>Taking into account the proposed removal of the 8.5% minimum contribution to council tax for working-age LCTS claimants, an additional cost of up to £65,000 is forecast to fall on the council. The impact of the change to self-employed LCTS claimants may offset this but this is not possible to quantify.</p> <p>As such, the Council Tax Base has been calculated for 2023/24 based on the removal of the 8.5% contribution. This has reduced the tax base compared to the Medium Term Financial Plan forecast in October, therefore worsening the forecast, but it is considered to be more realistic. The impact of the changes is in line with the additional cost outlined in this report and the effect is compounded and ongoing.</p>		%	£	Wyre	10.4	168,807	Parish/Town Councils*	1.1	17,855	Combined Fire Authority	3.7	60,056	Police and Crime Commissioner	11.5	186,661	LCC	73.3	1,189,761			1,623,140
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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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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

- Appendix 1 – Summary of Consultation Results
- Appendix 2 – LCC Response
- Appendix 3 – Fire Authority Response