

Report of:	Meeting	Date	Item no.
Councillor Alan Vincent, Resources Portfolio Holder and Deputy Leader and Mark Billington, Service Director People and Places	Cabinet	5 September 2018	7

## Localisation of Council Tax Support

### 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 An LCTS Scheme that it is fit for purpose and administratively streamlined as the rollout of Universal Credit Full Service (UCFS) increases.

### 3. Recommendation

- 3.1 That the draft changes to the scheme be agreed and subject to an eight 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 is still in operation in 2018/19. The only changes made over this period have been to reflect fluctuations in the applicable amounts and allowances used to calculate entitlement. However, like every other local authority in the country, Wyre needs to reconsider its LCTS scheme. This is mainly as a consequence of the ongoing roll-out of Universal Credit (UC). The introduction of UCFS has now commenced in Wyre (LA and PR postcode addresses) with Blackpool and Fleetwood Job Centres due to move to UCFS on 6 December 2018. As the number of claimants migrating across to UCFS from other legacy benefits increases, the council is going to find itself increasingly in a position where its working-age LCTS claimants are also in receipt of UC.
- 4.5** UC is a benefit that is designed to represent an element of a salary and entitlement to it is recalculated on a monthly basis. This means that those UC claimants whose working hours vary from week to week, for example, those on zero hours contracts, are likely to have a different UC entitlement each month. This variation in the claimant's monthly UC award also impacts directly on their entitlement to LCTS. Their entitlement to LCTS is calculated based on their exact income and capital, thus any changes to the claimant's UC also changes the amount of LCTS they are entitled to receive.
- 4.6** A data hub is in operation that makes possible the provision of electronic messages (similar to emails) between the DWP and the council. These notifications advise the council of changes to LCTS claimant's monthly UC award. Each time the council receives a notification they change the amount of UC the claim for LCTS is based upon, which in turn changes the amount of LCTS awarded. This results in the generation of a new award letter and council tax bill, complete with new monthly council tax

instalments to pay. By law the council is required to allow a 14 day notice period from billing to the date the first instalment has to be paid.

- 4.7** Unfortunately, in an increasing number of cases where the council tax payer (the payer) does not pay their council tax instalment, before the case can be progressed through the council tax recovery process to Summons stage, a further UC award notice is received. This then results in a further re-calculation of the payer's entitlement to LCTS and the generation of a new council tax bill with new instalments. As a consequence of this process there are now an increasing number of council tax accounts that are not being progressed through the council tax recovery procedure until the following financial year, at which point not only does the payer have a full year's outstanding bill to pay for the previous year, but also one for the current year. This is not only impacting detrimentally on council tax collection rates, but is also increasing administration, debt recovery and other costs.
- 4.8** As the number of UC claimants who are liable to pay council tax increases this issue will become ever more problematic unless changes are made to the LCTS scheme to nullify the impact of UC.
- 4.9** By way of comparison, the neighbouring Councils of Blackpool and Fylde ask their LCTS claimants to pay a minimum 27.11% and 22.7% respectively of their council tax, compared to Wyre's current 8.5%.

## **5. Key Issues and Proposals**

- 5.1** The current LCTS Scheme needs to be revised and made fit for purpose when operating alongside UCFS. Before any proposed scheme can be finalised and presented to Full Council for approval the authority is required to undertake a consultation exercise with affected/interested parties (including the major preceptors) in order to allow them to influence the final decision as to the make-up of the scheme. As there is no minimum period prescribed in law, it is considered that an 8 week consultation period is both fair and reasonable and will give the consultees sufficient opportunity to participate in this consultation.
- 5.2** A provisional list of key milestones for the development, approval and introduction of the new scheme is included in the table below:

<b><u>Date</u></b>	<b><u>Action</u></b>
May – August '18	Initial consideration as to the various options for a new scheme. Engagement of external consultant to provide initial modelling.
On-going	Costing of various options to take account of proposed changes to LCTS.
August '18	Briefing note to Management Board re proposed changes to LCTS.
5 September '18	Cabinet agree proposed changes to the LCTS scheme and start of consultation period.
06 September 18	Staff advised re proposed changes to the LCTS scheme so that information can be provided to customers requesting clarification during consultation period

17 Sept – 11 Nov '18	Consultation period for proposed changes. To be carried out via internet and written correspondence to main preceptors and appropriate groups.
Sept - Dec '18	Proposed changes to the scheme rules written and verified in accordance with any agreed changes emanating from the consultation.
6 Dec '18	Briefing to all councillors re all changes to LCTS and UC.
Early Dec '18	Council Tax Base calculation.
Dec '18 – Feb '19	On-going preparatory work for changes to LCTS including claim forms, notification letters, software changes.
17 January '19	Consideration of consultation responses and scheme changes formally adopted by Council.
Early Feb '19	Communication to customers re changes to LCTS and changes to entitlement.
Feb '19	Staff training.
Mar '19	New Council Tax bills produced and sent to customers.

**5.3** In modelling the proposed changes to the LCTS Scheme a number of factors have been taken into account. The changes

- must be affordable in terms of income collected, revenue loss and costs to operate;
- must be as fair as possible and a detailed 'map' of those affected is required; a detailed Equality Impact Assessment (EIA) is required;
- must be transparent, understandable to customers and practical to operate;
- must to be feasible to implement within the constraints of the timescales and available software;
- must be simple in design avoiding unnecessary complexity;
- should avoid the costs and risks associated with collecting additional data

**5.4 Key changes to the current LCTS Scheme**

**5.4.1 Funding for the Scheme**

As reported to Full Council in January 2018 the estimated cost of the scheme for 2018/19 is approximately £8,634,171. This includes an unfunded gap of approximately £556,394 to be met by each precepting body as follows:

<u>Preceptor</u>	<u>%</u>	<u>£</u>
Wyre	11.4	63,429
Parish/Town Councils*	1.1	6,120
Combined Fire Authority	3.9	21,699
Lancashire Police Authority	10.0	55,639
LCC	73.6	409,507
<b>TOTAL</b>		<b>556,394</b>

\*This is an average cost and will not necessarily be incurred by individual Parish/Town Councils.

Any changes to the LCTS Scheme need to ensure that costs are kept as far as possible within existing levels.

N.B. These costs do not include the costs associated with the administration of the LCTS scheme.

#### 5.4.2 A Banded Income Scheme

It is proposed that income bands be introduced that would allow for small fluctuations in income to be noted, but not actioned. For example, an income band of £0.01 - £100 would mean that once their initial entitlement to LCTS had been calculated, a claimant whose income subsequently changed would continue to receive the same amount of LCTS unless their income increased beyond £100. The initial calculation of entitlement to LCTS would be based on a percentage of the claimant's total council tax liability with the percentage being determined by the combined circumstances of the members of the claimant's household.

Other changes in a claimant's household's circumstances, for example, changes to the number of persons in the claimants household, would still be actioned as normal. In some cases this would lead to a change in the category of income band the claimant falls into. For example, a single claimant with no children who acquired a partner would move from a single income band to a band for a couple with no children.

The table below shows the proposed bands and the percentage reduction in the LCTS that claimants would be entitled to receive dependent on the band they fell into. This maintains the existing 8.5% minimum payment:

Band	Discount off council tax liability	Single Household (£ per week)	Couple – no children (£ per week)	Family – 1 child (£ per week)	Family > 1 child (£ per week)
1	91.5%	<£100.00	<£140.00	<£200.00	<£250.00
2	70%	£100.01-£150.00	£140.01-£210.00	£200.01-£270.00	£250.01-£320.00
3	50%	£150.01-£200.00	£210.01-£260.00	£270.01-£320.00	£320.01 - £370.00
4	25%	£200.01-£250.00	£260.01-£330.00	£320.01-£390.00	£370.01 - £440.00

*(Income band thresholds and discounts)*

Over 60 local authorities have already adopted this approach and with Northgate sites among them, there is certainty that current IT systems can accommodate this type of scheme without further investment.

#### **5.4.3**     An increase in the minimum percentage contribution towards payment of the council tax made by LCTS claimants

Under the current LCTS scheme, the weekly LCTS entitlement of all working-age claimants of the discount is reduced by 8.5% to reflect that they are required to pay a minimum of 8.5% of their council tax themselves. It is proposed that consideration be given to increasing the percentage contribution made by claimants. Current percentage deductions at neighbouring LA's include 27.11% at Blackpool, 22% at Fylde, 20% at Preston and 0% at Lancaster.

#### **5.4.4**     Flat rate non-dependent deductions

The collection of non-dependents' financial information is already problematic as many non-dependent's do not want their landlord/parent/relative to know their income. The migration to UCFS will make it even more difficult as the council will no longer collect the information as part of the Housing Benefit (HB) application process. In order to resolve difficulties around collecting such information, while at the same time simplifying the LCTS scheme and reducing the admin requirement, it is proposed to introduce a flat rate non-dependent deduction. This means that instead of establishing the income of each non-dependent, the scheme would simply take a fixed deduction of £5 per week per non-dependent. This change has already been made to a number of other local authority's LCTS schemes.

The current rates for non-dependent (over 18 years of age) deductions are:

Earnings less than £203.99 = £3.70 per week  
£204 - £353.99 = £7.30 per week  
£354 - £438.99 = £9.25 per week  
£439+ = £11.10 per week

There are no deductions in respect of non-dependents in receipt of pension credit/income support/income based job seekers allowance and income related employment support allowance.

#### **5.4.5**     Removal of family premium

This is an additional allowance given when calculating the entitlement to LCTS of families with children. The current rate is £17.45 per week, which means an extra £17.45 of the claimant's income is disregarded before their entitlement is calculated. The family premium was removed from the HB scheme in 2017 and many LA's have mirrored this and removed the premium from their LCTS scheme as well. There are currently 487 households

in receipt of the family premium in Wyre. It is proposed to remove the family premium from the scheme.

#### **5.4.6**     Removal of children's personal allowance for more than two children

When calculating entitlement to LCTS we currently allow claimants an additional £66.90 allowance in respect of each child they have. For example a couple with three children would have an additional £200.70 of their income disregarded before we calculated their entitlement to LCTS. In respect of new claims for HB, apart from in exceptional circumstances, this allowance has been limited to two children. The exceptions are:

- Multiple births e.g. twins, in which case the allowance is given in respect of one of the children;
- A child the claimant is already receiving the allowance for has a child of their own;
- The claimant has non-parental caring arrangements for a child of a family member or friend who comes to live with them;
- The claimant has a child born as a result of non-consensual conception;

It is proposed that this approach is mirrored in the LCTS scheme for new claims only to bring the two schemes into harmony.

#### **5.4.7**     Self-employed minimum income floor

Claims from the self-employed are difficult to assess as many newly self-employed claimants don't have accounts and instead complete a self-employed questionnaire, which is basically a best-guess as to their income. In order to simplify the process and reduce the administration, a minimum self-employed income floor could be introduced. Under the proposed changes this would equate to 35 hours per week at the national living wage rate for start-up self-employed businesses. The minimum income floor would be used for up to the first two years after which the council would insist on seeing audited accounts before making further awards of LCTS. In the event that the audited accounts revealed an income lower than the minimum income floor, the minimum income floor would still be applied to incentivise the claimant.

#### **5.4.8**     Reduction of capital limit

Under the current LCTS scheme the first £6,000 of a claimant's capital is disregarded with a tariff income of £1 per week being applied in respect of every £250 of savings up to a maximum of £16,000 capital, at which point LCTS cannot be claimed. The

upper capital limit could be reduced on the basis that claimants should use more of their own savings to meet their financial obligations. For example, a reduction in the upper capital limit to £12,000 would exclude those with capital in excess of that amount from being entitled to LCTS. It is proposed that a reduction in the upper capital limit for claiming LCTS be considered.

#### **5.4.9**     Discontinuation of 2<sup>nd</sup> Adult Rebate scheme

The 2<sup>nd</sup> Adult Rebate (2AR) Scheme allows council tax payers who cannot claim LCTS in their own right because of their income/capital to claim on behalf of non-dependents in their household who are on a low income. In order to claim 2AR the council tax payer must be single and all other members of the household over 18 years of age must be on a low income. Many LA's have ceased 2AR since their LCTS schemes came into force in 2013. It is recommended that the new scheme ceases the 2AR to incentivise those covered by this rebate into work.

#### **5.4.10**   Other vulnerable (protected) groups

The council has an equality duty to take into account the impact the introduction of an amended LCTS Scheme will have on vulnerable groups other than pensioners, who are being 'protected'. Any protection afforded to other vulnerable groups would, however, further reduce the amount of on-going support for those in unprotected groups. The more radical the localised scheme then the more likely that the Council may face a legal challenge because of a failure to take into account the needs of vulnerable groups. The changes proposed in this report are not considered to be radical or likely to give rise to legal challenge.

#### **5.4.11**   Staffing Resources

There will be an impact on the generic housing and council tax benefit officers and the Contact Centre staff during the transition period and particularly following notification to customers of the impact of the changes. It is not anticipated though that any additional resource will be required and the anticipated peak in workload will be taken into account in the planning of future initiatives with a view to minimising the impact and ensuring that the council is as prepared as possible to cope with any increased demand.



<b>Financial and legal implications</b>	
Finance	<p>As reported to Full Council in January 2018 the estimated cost of the scheme to preceptors for 2018/19 is approximately £8,634,171. The aim of the changes proposed in this report are twofold: firstly, that the administrative burden is streamlined in order to reduce the pressure as UCFS gathers momentum and secondly that the cost of the scheme as a whole doesn't increase outside of normal growth factors.</p> <p>Modelling has been undertaken by Policy in Practice which demonstrates that the changes proposed will in the longer-term support reduced staffing levels although uncertainty with regard to welfare reform means this cannot be guaranteed.</p>
Legal	<p>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.</p> <p>A public consultation must be carried out before any changes to the scheme can be considered.</p>

### **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.

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

<b>risks/implications</b>	<b>✓ / x</b>
asset management	<b>x</b>
climate change	<b>x</b>
data protection	<b>x</b>

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

**List of appendices**

None.

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