



Report of:	Meeting	Date
Councillor Alan Vincent, Resources Portfolio Holder, and Mark Billington, Service Director People and Places	Council	17 January 2019

Localised Council Tax Support

1. Purpose of report

- 1.1 To agree an updated Localised Council Tax Support Scheme to replace the existing scheme from 1 April 2019.

2. Outcomes

- 2.1 Improved incentives to work, ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefits dependency.
- 2.2 To reduce the impact of the ongoing implementation of Universal Credit Full Service on the administration of Localised Council Tax Support.
- 2.3 Compliance with the Welfare Reform Act 2012 and specifically its provisions for the abolition of Council Tax Benefit and replacement with new localised schemes.

3. Recommendations

- 3.1 That the proposed introduction of a £10 per week income "cushion" (up or down) be agreed, therefore removing the need to re-calculate entitlement to Localised Council Tax Support in respect of low value changes to a claimant's weekly income.
- 3.2 That the proposed introduction of a flat-rate Localised Council Tax Support non-dependent deduction of £5 per week, to replace the current tiered non-dependent reduction rates, be agreed.
- 3.3 That the proposed discontinuation of the Second Adult-Rebate scheme be agreed.

- 3.4** That the current additional maximum deduction from entitlement to Localised Council Tax Support for working-age claimants be maintained at 8.5%.
- 3.5** That no other changes to the current Localised Council Tax Support scheme that were under consideration, be implemented at this time.

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 100% 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 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 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 council is required to review its LCTS scheme annually and the adoption of the scheme is a function reserved to full Council. If the LCTS scheme is to be revised or replaced the council must prior to that: (a) consult any major precepting authority which has power to issue a precept to it, (b) publish a draft of the revised scheme in such manner as it thinks fit, and (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 4.5** Wyre's current LCTS scheme for working-age claimants was purposely designed to closely mirror the former CTB scheme. There were a number of reasons for this, including the fact that any major deviations from the former scheme would have led to the council incurring substantial additional costs in procuring and developing a new software system. LCTS recipients were also familiar with the CTB scheme and the

requirements it placed upon them in terms of when they had to make a claim, or report changes in their circumstances.

- 4.6** As the roll-out of Universal Credit (UC) starts to gather pace it will have an ever increasing impact on the administration of LCTS, and the collection of council tax. In order to address this matter and keep administration costs as low as possible, some changes are proposed to the LCTS scheme. These changes were the subject of a consultation, more details of which can be found at Appendix A and in section five below.

5. Key issues and proposals

- 5.1** As at 30 November 2018 the council's LCTS working-age caseload numbered 4,666, many of whom are also in receipt of one of the heritage benefits that will at some point be migrated across to UC. These benefits are Job Seekers Allowance, Housing Benefit (HB), Employment Support Allowance, Income Support and Tax Credits.
- 5.2** There are currently already around 1,000 UC claimants living in Wyre, about a third of whom are currently also responsible for payment of council tax and therefore eligible to claim LCTS. This proportion is likely to increase as UCFS is expanded.
- 5.3** UC is a monthly paid benefit. Entitlement is also calculated on a monthly basis, largely via data-matching employment and income records held by Her Majesty's Revenue and Customs (HMRC) with UC records held by the Department for Work and Pensions (DWP). As a consequence of this monthly check the smallest of changes in income results in the re-calculation of entitlement to UC. In cases where the UC claimant is also known to be claiming LCTS, this in turn generates an electronic notification to the council advising us of the change in UC entitlement. On receipt of this notification the council re-calculate entitlement to LCTS and send the claimant a new council tax bill. For many UC claimants, e.g. those on variable hours contracts, this means that every month they receive a new council tax bill with new instalments asking them to pay their council tax over a decreasing number of months. On many occasions, before the date the first amended council tax instalment is payable (and certainly before the date any council tax reminder is subsequently issued), the claimant's UC entitlement changes again resulting in the issue of another council tax bill.
- 5.4** Evidence shows that owing to small fluctuations in their income an increasing number of LCTS claimants in Wyre, who are also in receipt of UC, are receiving a new council tax bill every month of the year. Only the final bill issued in each financial year does not get surpassed, by which time the amount on the bill is payable in one instalment and often the payer cannot afford to pay. This subsequently leads to the commencement of recovery action to collect the unpaid council tax, and to compound the problem further the following year's council tax bill is normally issued around the same time.

- 5.5** The numbers of LCTS recipients, who are also in receipt of UC, has begun to increase substantially following the commencement of the UC roll-out on the Fylde coast on 5 December 2018. The administrative burden associated with UC is also increasing and will continue to do so unless the LCTS scheme is amended in order to nullify the effect of small increases/decreases in earnings. It is therefore proposed that an income “cushion” is introduced so that changes of up to £10 per week in claimant’s income do not change the amount of LCTS they receive. Under the current scheme a change of income of £10 per week equates to a £2 per week change in LCTS entitlement (assuming that the claimant isn’t earning less at the point their claim is originally calculated than the minimum amount the Government considers that the claimant needs to live off).
- 5.6** The cushion would be applied on a cumulative basis, for example, an aggregate increase of £10 per week in the claimant’s earnings in month one would not result in the recalculation of their LCTS entitlement. A further £10 per week increase in month two would result in the recalculation of their LCTS entitlement at that point however, taking into account the additional £20 of income (£10 in month one and £10 in month two).
- 5.7** As part of the process to determine what changes (if any) to apply to the current LCTS scheme, a consultation was undertaken, which ran from 17 September to 13 November 2018. A copy of the report of the results of the consultation is attached at Appendix A. Of the 392 people who completed the survey, 273 (72%) either agreed, or strongly agreed with the proposal to introduce an income banded scheme such as the one proposed.
- 5.8** The council also commissioned the services of an external provider to provide an estimate of the costs associated with the move to a fully banded scheme, whereby income bands would be introduced for single households, couples with no children, and families. Whilst the introduction of this scheme is something that should be considered again in the future, uncertainty over the continuing roll-out of UC and the time it will take for the migration of the other heritage benefits to UC to be completed, means there is no guarantee that the projected costs of introducing such a scheme are accurate. It is therefore proposed to look again at a full-blown banded scheme once there is more certainty over the UC migration.
- 5.9** Before a claimant’s entitlement to LCTS can be calculated, the income of any non-dependents living in the claimant’s household is taken into consideration, with a deduction being made from the claimant’s LCTS entitlement to reflect the level of the non-dependents’ earnings. Current levels of non-dependent deduction are:
- In receipt of Job Seekers Allowance or Employment Support Allowance = £nil deduction.

- Gross income:
less than £203.99 = £3.60 per week
between £204 and £353.99 = £7.10
between £354 and £438.99 = £9.00
£439 and above = £10.80
- In cases where the claimant is in receipt of Personal Independent Payment or Disability Living Allowance (care component) no deduction is taken, regardless of the non-dependent's income.

5.10 Many claimants struggle to obtain their non-dependent's income details and as a consequence a maximum non-dependent deduction of £10.80 is subsequently applied to their LCTS award. In order to resolve this issue, simplify the LCTS scheme, and at the same time reduce administration costs, it is proposed that a flat rate deduction of £5 per non-dependent be applied. The deduction would apply to all non-dependents, apart from those on a recognised (under council tax legislation) full-time course of further education.

5.11 Currently, LCTS claimants who are in receipt of certain disability benefits, predominantly Disabled Living Allowance (care component), do not have any non-dependent deductions taken from their LCTS entitlement if they have a non-dependent living with them. Under the proposed move to a flat-rate non-dependent deduction these claimants would have a deduction taken. It is recognised that this may in some cases cause financial hardship and with this in mind it is proposed to include provision for the award of discretionary hardship relief in appropriate cases within the 2019/20 LCTS scheme. This issue is referred to in the Equality Impact Assessment (attached at Appendix B) conducted in respect of the proposed changes to the scheme.

5.12 The second adult rebate scheme allows single adults who would receive a 25% single person council tax discount if they lived on their own, to make a claim for assistance with payment of the council tax if any non-dependents who live with them are in receipt of a low income. This scheme has been disregarded by many other local authorities. As at 30 November 2018 there were 58 second-adult rebate claims in payment. It is proposed that from 1 April 2019, this scheme be discontinued.

5.13 The primary focus of the proposed changes to the LCTS scheme is to simplify the scheme and reduce the costs associated with administering it. Other potential changes to the scheme were included in the consultation and are also under consideration by other local authorities. It is recognised, that if implemented, these changes would impact negatively on those who are most in need of support from the LCTS scheme to pay their council tax, the same residents who are likely to be impacted on by the introduction of UC. It is therefore proposed that the additional maximum deduction from entitlement to council tax support remain at its current level of 8.5%, and that the other changes that have been

considered are not progressed further at this point in time. This will also allow for the impact of the ongoing roll-out of UC to be fully considered.

- 5.14** This also ensures that 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 Councils of Blackpool and Fylde already ask their residents to pay up to 27.11% (13.56% in respect of “pass-ported” benefit claimants) and 22.7% respectively. At the start of the 2018/19 financial year fewer than 50 local authorities across the country had a maximum contribution figure of 8.5% or less, making Wyre’s Scheme one of the most financially beneficial to claimants in the country.

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 claimed that in 2014/15 the total level of localised council tax support funding has remained unchanged in cash terms although there is no separately identifiable amount for localised council tax support at local authority level since it was subsumed within the Revenue Support Grant 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.</p> <p>Inflating the 2018/19 anticipated expenditure on LCTS of £8,495,572 by 5.59%, Wyre’s average council tax increase in 2018/19, indicates that the estimated cost of the scheme for 2019/20 would be approximately £8,970,474. Applying the indicative start-up funding allocation of £8,077,777 leaves an unfunded gap of approximately £892,697 to be met by each precepting body as follows:</p>																						
	<table border="1"> <thead> <tr> <th><u>Preceptor</u></th> <th><u>%</u></th> <th><u>£</u></th> </tr> </thead> <tbody> <tr> <td>Wyre Council</td> <td>11.1</td> <td>99,090</td> </tr> <tr> <td>Parish/Town Councils*</td> <td>1.0</td> <td>8,927</td> </tr> <tr> <td>Lancashire Combined Fire Authority</td> <td>3.9</td> <td>34,815</td> </tr> <tr> <td>Lancashire Police Authority</td> <td>10.1</td> <td>90,163</td> </tr> <tr> <td>Lancashire County Council</td> <td>73.9</td> <td>659,702</td> </tr> <tr> <td>TOTAL</td> <td>100.0</td> <td>892,697</td> </tr> </tbody> </table>	<u>Preceptor</u>	<u>%</u>	<u>£</u>	Wyre Council	11.1	99,090	Parish/Town Councils*	1.0	8,927	Lancashire Combined Fire Authority	3.9	34,815	Lancashire Police Authority	10.1	90,163	Lancashire County Council	73.9	659,702	TOTAL	100.0	892,697	
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	The financial implications of the minor amendments to the scheme are expected to be minimal based on the modelling undertaken by Policy in Practice. The main impact is expected to be on reducing internal administration and contributing towards the ongoing efficiency savings as part of a future service review.
Legal	<p>The Council has complied with the legislation and statutory guidance surrounding the implementation of its updated scheme.</p> <p>It has consulted on changes to its LCTS Scheme and carried out an Equality Impact Assessment that has satisfied legal requirements and provided essential information. This information has been considered and used to develop the final recommendations.</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.

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

Processing Personal Data

If the decision(s) recommended in this report will result in personal data being processed, a privacy impact assessment (PIA) will have been completed and signed off by the council's Data Protection Officer before the decision is taken (as required by the General Data Protection Regulations 2018).

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

List of appendices

Appendix A – Council Tax Support Scheme Consultation 2018
Appendix B – Equality Impact Assessment

Link to Draft LCTS Scheme www.wyre.gov.uk/draftcts

dem/cou/cr/19/1701pm1