

Report of:	Meeting	Date
Councillor Alan Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Council	09 January 2020

Localised Council Tax Support

1. Purpose of report

- 1.1 To confirm the continuation of the current Localised Council Tax Support Scheme for the 2020/21 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 Localised Council Tax Support Scheme be continued into the 2020/21 financial year with the additional maximum percentage contribution from working age claimants being no more than 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 Ministry of Housing, Communities and Local Government (MHCLG), and that the roll out of Universal Credit (UC) will ultimately replace existing social benefits.

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.

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 the 31st of 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 2019, the number of working age claimants eligible for council tax support was 4,759 compared to 4,633 at the end of September 2018, an increase of 126 cases. This is a lower than was anticipated rise given that the DWP are now actively publicising the existence of the LCTS scheme to new UC claimants liable to pay council tax.
- 5.3** The number of pensioners eligible for council tax support at the end of September 2019 was 4,257 compared to 4,406 last year. The reduction in overall pension age cases is attributable to an ongoing review of pension credit eligibility that has subsequently impacted on some pensioners' LCTS entitlement.
- 5.4** The value of LCTS awarded as at the end of September 2019 is £8,744,269 compared to £8,487,386 last year, an increase of £256,883, with the increase being attributable to the increase in Council Tax.
- 5.5** The collection rate for 2018/19 was 96.84%, a reduction of 0.23% when compared to the 2017/18 rate of 97.07%. The reduction is attributable in part to the Government's introduction of an optional 12 monthly instalments scheme, but also to the increased difficulty in collecting council tax debt via deductions from other social benefits, with the difficulties emanating from the introduction of UC and changes to DWP software systems.
- 5.6** The recovery work associated with the collection of council tax is increasing with 14,264 reminders, 2nd reminders and final notices issued in 2018/19 compared with 12,838 in the previous year, an increase of 1,426. A total of 8,025 summonses were also issued for non-payment in 2018/19 compared with 7,210 the previous year (after withdrawn summonses are deducted the figures reported in Audit Committee in July 2019 were 7,022 in 2018/19 and 6,572 in 2017/18). The increases in reminders and summonses show that council tax is getting harder to collect. In part this is due to the introduction of UC.
- 5.7** A number of local authorities are proposing to make changes to their current LCTS schemes for 2020/21, including increasing the minimum contribution required from those council tax payers in receipt of social benefits to upwards of 40%. Given the difficulties this council currently faces in collecting minimum contributions of 8.5% from taxpayers, taking similar action would be likely to only increase the amount of uncollectable council tax debt.
- 5.8** More changes to UC are imminent, as is the Government sponsored "breathing space" initiative for those with debt problems, and the council tax debt management initiative led by Her Majesty's Revenue and Customs, both of which are expected to go live in 2020. As such, it is considered to be prudent not to make any further changes to the current working age LCTS scheme at this time.
- 5.9** 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, already ask their residents to pay between 13.56% and 27.11%, while Fylde charge 22%, and their collection rates for 2018/19 were 92% and 96.84% respectively.

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 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 no longer receives any RSG (from 2019/20).</p> <p>Inflating the 2019/20 anticipated expenditure on LCTS of £8,700,000 by 4.82%, Wyre's average council tax increase in 2019/20, indicates that the estimated cost of the scheme for 2020/21 would be approximately £9,119,340. Applying the indicative start-up funding allocation of £8,077,777 leaves an unfunded gap of approximately £1,041,563 to be met by each precepting body as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <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;">10.9</td> <td style="text-align: right;">113,530</td> </tr> <tr> <td>Parish/Town Councils*</td> <td style="text-align: right;">1.0</td> <td style="text-align: right;">10,416</td> </tr> <tr> <td>Combined Fire Authority</td> <td style="text-align: right;">3.8</td> <td style="text-align: right;">39,579</td> </tr> <tr> <td>Lancashire Police Authority</td> <td style="text-align: right;">11.0</td> <td style="text-align: right;">114,572</td> </tr> <tr> <td>LCC</td> <td style="text-align: right;">73.3</td> <td style="text-align: right;">763,466</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,041,563</td> </tr> </tbody> </table> <p>*This is an average cost and will not necessarily be incurred by individual Parish/Town Councils</p>		%	£	Wyre	10.9	113,530	Parish/Town Councils*	1.0	10,416	Combined Fire Authority	3.8	39,579	Lancashire Police Authority	11.0	114,572	LCC	73.3	763,466			1,041,563
	%	£																				
Wyre	10.9	113,530																				
Parish/Town Councils*	1.0	10,416																				
Combined Fire Authority	3.8	39,579																				
Lancashire Police Authority	11.0	114,572																				
LCC	73.3	763,466																				
		1,041,563																				
Legal	<p>The Council must be able to demonstrate that it has complied with the statutory guidance surrounding the implementation of any revised or replacement scheme. A judgement against Sandwell MBC has found that the practice of withholding council tax support from newcomers to the area is unlawful.</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
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.

report author	telephone no.	email	date
Peter Mason	887530	peter.mason@wyre.gov.uk	19/11/2019

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

List of appendices

None