

## Appendix 1

**REPORT TO:** CABINET OVERVIEW WORKING GROUP

**DATE:** 29 NOVEMBER 2018

**TITLE:** LOCAL COUNCIL TAX SUPPORT SCHEME PROPOSALS 2019/20 – REPORT

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE  
(01279) 446228

**CONTRIBUTING OFFICER:** DONNA BEECHENER, REVENUES AND BENEFITS MANAGER (01279) 446245

### **RECOMMENDED that:**

- A** Acknowledges the current position regarding the 2018/19 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2019/20.
- B** Recommends to Cabinet that the proposal to introduce fixed period awards for Local Council Tax Support is deferred for 12 months and kept under review.

### **BACKGROUND**

1. In accordance with the Welfare Reform Act 2012, and the Local Government Finance Act 2012, councils are required to implement a Local Council Tax Support Scheme (LCTSS) annually, and by 31 January each year at the latest for the forthcoming financial year.
2. The Pan Essex working group, originally established to consider a County wide approach to the localisation of council tax support, has continued to work very effectively. Having focussed on the development of the local schemes, more recently the work has been looking at those exemptions and discounts awarded to council tax payers. As a result the group has now implemented a range of measures targeted at ensuring that each council across Essex undertakes work on a consistent basis to help protect the tax base in each district. Work will continue to be undertaken in 2018/19 to ensure compliance and to check and challenge council tax reductions awarded for which entitlement may have subsequently changed or be no longer appropriate.

### **Local Council Tax Support (LCTS)**

3. The national Council Tax Benefit (CTB) scheme, which was wholly funded by Central Government and administered locally by billing authorities, was abolished with effect from 1 April 2013. Each council was charged with designing and implementing its own local scheme for the 2013/14 financial year against a backdrop of a 10 per cent reduction in national funding when compared with CTB. The scheme must be reviewed annually and the Council

approved its local scheme for the 2018/19 financial year at its meeting held on 14 December 2017.

4. Prior to the introduction of LCTS there had been no cap on CTB expenditure under the national scheme. However under LCTS, Government funding was restricted through the introduction of a cash limit in the form of a fixed grant. In addition, the grant was set at a level which was 10 per cent less than the previous council tax benefit expenditure estimated from 2012/13. For the Council this represents a reduction in funding of around £1.3 million per annum from April 2013.
5. The grant for LCTS was originally identified specifically within the Council's overall Revenue Support Grant and retained Business Rates income for 2013/14. The level of funding for 2014/15 and future years has not been identified in the same way and has been included in the Council's overall Revenue Support Grant and Retained Business Rates – overall Formula Funding. As a result of this there is no protection for the LCTS funding and it is subject to the wider Government cuts to local government funding. Since the introduction of the scheme the Councils overall funding has reduced by over 47 per cent but there has been no reduction in the Councils support of its LCTS scheme.
6. In order to ensure that Pensionable Age customers should be no worse off under the local scheme, national rules remain in place for this group of claimants. As protection remains in place for those of Pensionable Age, the impact of the reduction in funding has fallen upon Working Age claimants as reported during the implementation of the 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 2018/19 schemes.
7. The Council is part of a Pan Essex Project Group, with a remit to design an Essex Framework for LCTS. The principles of the framework were reported to Cabinet on 12 July 2012. On 22 November 2012 the Council adopted a LCTS scheme following public consultation during the summer of 2012 based on these principles, which are detailed below. For comparison purposes, the LCTS schemes for the other Essex district councils are attached as Appendix A:
  - a) The scheme will be cost neutral;
  - b) Council tax support will continue to be assessed on a means tested basis;
  - c) Council tax support will not be paid above Council tax band H;
  - d) Council tax support is capped at 76 per cent of council tax liability;
  - e) The first £25 of weekly earnings are disregarded in the calculation of support;
  - f) There is no entitlement to support where the applicant has capital of over £6,000; and

- g) Second adult rebate and underlying entitlement were abolished to remove the administrative burden of these.

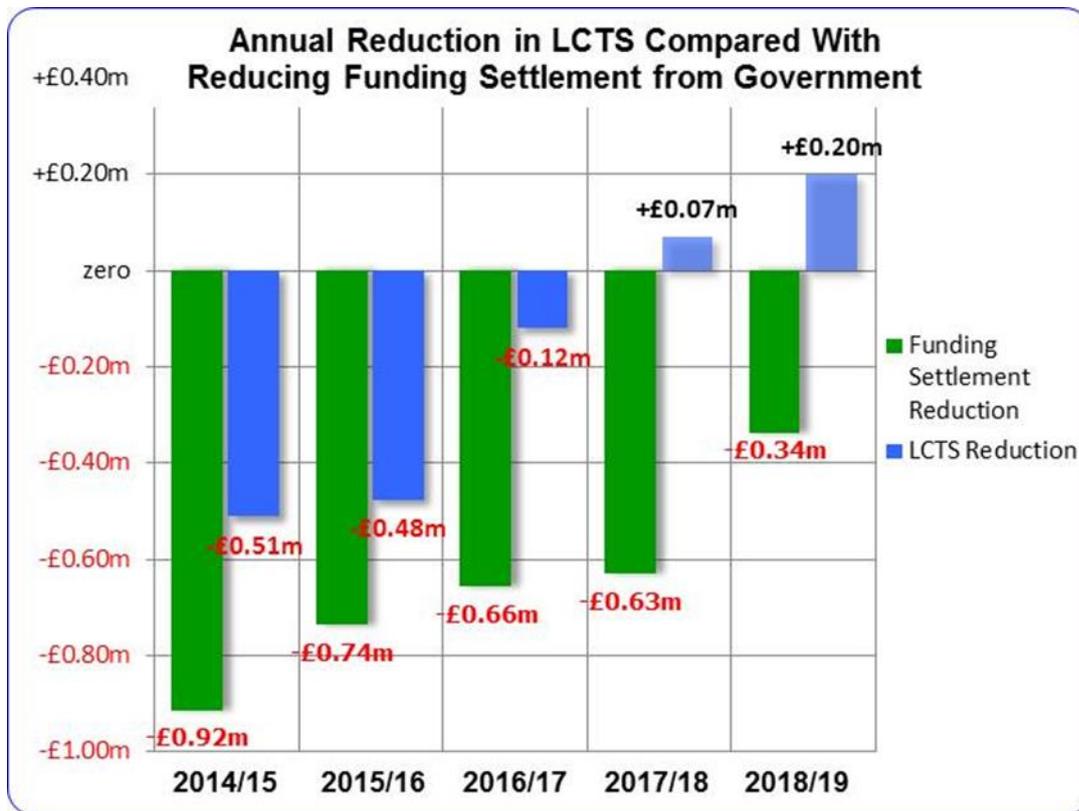
## ISSUES/PROPOSALS

8. The Council has ensured that in the development of its local scheme the eligibility criteria for LCTS remains aligned with the previous national council tax benefit scheme, with specific protection for families and persons with disabilities. In addition and despite the reductions in overall Government grant received by the Council the scheme has been supported and maintained without variation to the above principles.
9. The 2013/14 scheme was designed to deliver savings of £1,361,235 to ensure that expenditure on LCTS did not exceed the total Government funding allocated for the scheme. At the time of writing this report the LCTS scheme costs for the current and previous financial years are as follows:

| LCTS Award        | Pensionable Age |            | Working Age    |            | Total LCTS Award  |
|-------------------|-----------------|------------|----------------|------------|-------------------|
|                   | Live Case load  | LCTS Spend | Live Case load | LCTS Spend |                   |
| Date              |                 |            |                |            |                   |
| 1 April 2013      | 3,819           | £3,535,031 | 5,302          | £3,810,068 | <b>£7,345,099</b> |
| 31 March 2014     | 3,673           | £3,483,230 | 5,189          | £3,741,202 | <b>£7,117,494</b> |
| 31 March 2015     | 3,547           | £3,240,964 | 4,890          | £3,363,313 | <b>£6,604,277</b> |
| 31 March 2016     | 3,291           | £2,941,981 | 4,469          | £3,184,219 | <b>£6,126,200</b> |
| 31 March 2017     | 3,099           | £2,936,255 | 4,510          | £3,068,939 | <b>£6,005,195</b> |
| 30 September 2017 | 3,027           | £2,895,860 | 4,147          | £3,144,517 | <b>£6,040,377</b> |
| 30 September 2018 | 2843            | £,2859,265 | 4,427          | £3,378,867 | <b>£6,238,132</b> |

10. The Government sets a Formula Funding Settlement for monies it will pay across to local authorities to support their services and legal obligations. In recent years the funding provided by the Government has fallen substantially with consistent annual reductions on previous years' funding. So, whilst the cost to the Council for LCTS had reduced by just over £1.3 million between 2013/14 and 2016/17 (and, using projections, by £1.1 million between 2013/14 and 2018/19), the Council received a reduction in mainstream Government funding

of £2.3 million (over £3.3 million between 2013/14 and 2018/19). The following chart illustrates how the reductions in annual LCTS cost falls short of the annual funding reductions from Government.



11. It was estimated that the in-year council tax collection rate for 2013/14 in Harlow would be affected by the introduction of LCTS and could fall by over three per cent compared to the collection rate in 2012/13. Council tax collection at the end of the second quarter in 2018/18 is reported at 56.07 per cent, compared to a collection rate of 56.83 per cent for the same period in the 2012/13 financial year.

| Date              | Council Tax Collection Rate |
|-------------------|-----------------------------|
| 30 September 2012 | 56.83%                      |
| 30 September 2013 | 56.60%                      |
| 30 September 2014 | 56.28%                      |
| 30 September 2015 | 56.71%                      |
| 30 September 2016 | 56.75%                      |
| 30 September 2017 | 56.48%                      |
| 30 September 2018 | 56.07%                      |

12. At the time of writing this report:

a) Council tax collection rate is currently exceeding original forecasts. The introduction of a 12 month instalment scheme by the Government in 2014 will also be impacting on the collection statistics when compared with prior years with income having been collected predominantly over 10 months.

- b) The additional funding provided within the agreement with the precepting bodies has enabled employment of extra staff dedicated to working with LCTS claimants. This has meant that the normal collection processes on the remaining non LCTS clients has not been compromised.
  - c) There is continuing good engagement with LCTS claimants meaning that it has been possible to agree payment arrangements with residents at an early stage, and reducing avoiding the need for further recovery action.
13. Recovery action for council tax in LCTS cases has been taken in accordance with legislation with the addition of the specialist advice from the LCTS officers. Of all working age LCTS claimants, including those with closed LCTS claims, 1,203 (23.67 per cent) have received a final notice where a payment has not been received and 813 (16 per cent) claimants have been summonsed in the current financial year. Where a summons has been issued, the Council continues to work to engage with those affected to provide support and advice to reach a payment solution wherever possible, subject to the claimant's willingness to disclose relevant information and work with Council officers. The table below provides a comparison with previous years.
14. Whilst the collection position is currently higher than expected and the level of support being awarded has fallen overall, recovery of amounts falling due can take several years to collect and it is currently still early in the operation of the new scheme to be able to forecast what the overall final collection position will be for each year.

### **LCTS 2019/20 Proposals**

15. Officers are keeping the performance of the LCTS scheme under review but as the Council plans for 2019/20 the scheme is still only in its sixth year of operation. Given the complexities of the scheme, the large claimant base and other national factors outside of the Council's control this is still seen as a relatively short period on which to base judgements and future estimates. There are ongoing significant Government led welfare reforms being either proposed or implemented, the impacts of which are difficult to analyse and quantify at this time.
16. Universal Credit Full service was introduced in Harlow in September 2017. Where claimants of Universal Credit (UC) are in work, UC is calculated using real time information Pay As You Earn (PAYE) information. This can result in varying UC entitlement levels from month to month. Where the claimant is in receipt of LCTS, this variation in UC entitlement will result in a change in the level of LCTS each month, which increases or reduces the balance of council tax payable. This interaction with the council tax statutory instalment scheme results in customers receiving multiple bills over the financial year, with revised monthly instalments becoming due. This can lead to confusion, non-payment, and potentially a hampering of the collection and recovery process.

17. In order to mitigate the impacts of UC, Officers have considered the introduction of fixed award periods to the LCTS scheme, whereby the LCTS award would be fixed for 6 months for those in receipt of UC. This option would enable the authority to calculate or recalculate a person's entitlement to LCTS every six months. Whilst the monthly fluctuations would be reduced, the introduction may disadvantage some applicants in the short term as changes that may increase LCTS would not be taken into account until the next assessment period. Additionally there would be a need for exceptions to take effect in the fixed period, for example, an increase in earnings above a specified level, a change in the household makeup, or change in employment. As these exceptions would trigger a reassessment in the fixed period, there would be no reduction in day to day administration as officers would still need to review each UC notification to assess whether the change fell into the list of agreed exceptions.
18. Officer's analysis of council tax accounts has identified that intervention and contact with customers will deliver wider benefits than the introduction of fixed benefit periods. Proactive work and contact with those not making regular payments will enable specialist officers to provide a wider range of assistance and support. There is also merit in making contact with those making regular payments as a small change such as altering the date of monthly direct debit payments could minimise any fluctuation in instalments.
19. Whilst the analysis of the interaction of UC changes and council tax support indicates that fixed periods could minimise the impact of UC changes, at the time of writing this report officers were only able to analyse the first six months of the current financial year and the evidence has not been conclusive. The analysis also highlighted that some customers would be adversely impacted by the change, and again it has not been possible to quantify the impact of this. For these reasons, officers recommend that the situation be kept under review for another 12 months.
20. As at 31 October 2018, 1,203 recipients of LCTS had received a final notice compared to 1,076 at the same point in 2017. Additionally the number receiving a summons has not reduced compared to this point last year, which indicates that the interaction with UC has not seriously hampered the council tax recovery process.
21. Overall, monitoring of the local scheme indicates that it is operating well and that collection of the amounts billed to claimants is being maintained. Engagement with residents impacted by the changes has also been extremely good. In order to maintain certainty for both claimants and the Council, the proposals for the scheme in 2019/20 are to maintain the restriction on the entitlement to support at 24 per cent for a sixth year and that the reductions to the Councils core Formula Funding will not be passed on to claimants despite further reductions being forecast for 2019/20 as part of the Government's measures to reduce expenditure.

## **Public Consultation**

22. A public consultation on the LCTS scheme for 2018/19 was conducted during October 2018. Consultation ended on 31 October 2018 and the results are shown at Appendix C. The consultation made one proposal for change to the scheme, which was intended to simplify its operation and administration, minimising the impact of monthly Universal Credit changes. The option and the consultation responses are set out in the following paragraphs of the report.

### **Option 1 – Fixed Period Assessments**

23. The option will apply only to people receiving UC where their UC entitlement is amended due to changes in their UC income. As UC is calculated using real time information, a person's entitlement to UC often changes each month. This in turn changes a person's entitlement to LCTS each month which then changes the amount that they have to pay for council tax each month. This option will enable the authority to calculate or recalculate a person's entitlement to Local Council Tax Support every six months.

24. By fixing the assessment period, this will avoid multiple changes, be less confusing, avoid the constant recalculations of Council Tax instalments, allow a person to budget over a six month period and will aid administration.

25. The benefit of this is:

- a) It is a clear and simple change to the current scheme;
- b) It is administratively simple and will potentially make administrative savings;
- c) It will help people to budget over longer periods; and
- d) It may benefit some applicants in the short term as changes that may decrease Council Tax Support for a person would not be taken into account until the new assessment period.

26. The drawbacks of doing this are:

- a) It may disadvantage some applicants in the short term as changes that may increase Council Tax Reduction for a person would not be taken into account until the new assessment period.

27. Fifty-eight per cent of (total of 7) respondents agreed with the proposal, 42 per cent (5) responded that they either did not or did not know whether they agreed or not.

28. A full equalities impact assessment was carried out on the current 2016/17 scheme. This has been reviewed and is attached to this report at Appendix D.

## **Conclusions**

29. The LCTS scheme operated by the Council has performed well in its first five years of operation. Claimants have been very well supported by the dedicated officers appointed utilising the resources provided through the funding agreement with the key precepting bodies.
30. Following consultation on the 2019/20 scheme it is again proposed to retain the scheme largely unchanged and it is recommended that fixed benefit periods are not introduced for the reasons set out in the report.

## **IMPLICATIONS**

### **Place (Includes Sustainability)**

No implications specifically arise from the Council Tax Benefit reforms. Welfare Reform more widely will have a range of different impacts on delivery of service objectives.

**Author: Jane Greer, Head of Community Wellbeing on behalf of Graeme Bloomer, Head of Place**

### **Finance (Includes ICT)**

Financial impacts of the LCTS scheme are being considered as part of the wider budget process and development of the Medium Term Financial Strategy.

**Author: Simon Freeman, Head of Finance**

### **Housing**

None specific

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

As contained within the report at this stage. The implications of the final scheme will be assessed for impact on vulnerable groups, as outlined in the report.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

The Council must have the LCTSS in place by 11 March 2019 and having carried out a consultation exercise it will minimise the risk of challenges to the Council.

**Author: Colleen O'Boyle, Interim Head of Governance**

## **Appendices**

Appendix A – Proposed Essex Schemes 2019/20

Appendix B – Council Tax Support and Universal Credit Interaction – Case Studies

Appendix C – LCTS Consultation Results

Appendix D – Equality Impact Assessment

## **Background Papers**

LCTSS 2017/18 - <http://www.harlow.gov.uk/council-tax-support-scheme-2017-18pdf>  
Annual Fraud Indicator 2013 - <https://www.gov.uk/government/publications/annual-fraud-indicator--2>

## **Glossary of terms/abbreviations used**

CTB – Council Tax Benefit  
LCTS – Local Council Tax Support  
LCTSS – Local Council Tax Support Scheme  
PAYE – Pay As You Earn  
UC – Universal Credit