

**REPORT TO:** CABINET OVERVIEW WORKING GROUP

**DATE:** 28 NOVEMBER 2019

**TITLE:** ANNUAL REVIEW OF LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS)

**LEAD OFFICER:** SIMON FREEMAN, HEAD OF FINANCE AND DEPUTY TO THE CHIEF EXECUTIVE (01279) 446228

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**RECOMMENDED that:**

- A** The Working Group acknowledges the current position regarding the 2019/20 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2020/21.
- B** It is recommended to Cabinet that the current scheme remains unchanged for 2020/21.

**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 11 March 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 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 authority across Essex undertakes work on a consistent basis to help protect the tax base in each district. Work will continue to be undertaken in 2019/20 to ensure compliance and to check and challenge council tax reductions awarded for which entitlement may have subsequently changed or be no longer appropriate.

**ISSUES/PROPOSALS**

**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 local authority was charged with designing and implementing its own local scheme for the 2013/14 financial year

against a backdrop of a ten percent reduction in national funding when compared with CTB. The scheme must be reviewed annually and the Council approved Harlow's local scheme for the 2019/20 financial year at its meeting held on 18 December 2018.

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 ten percent less than the previous council tax benefit expenditure estimated from 2012/13. For Harlow 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 54 percent 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 original reduction in funding fell upon and continues to be borne by Working Age claimants.
7. Harlow 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 Harlow Council adopted a LCTS scheme following public consultation during the summer of 2012 based on these principles, which are detailed below:
  - i) The scheme will be cost neutral.
  - ii) Council tax support will continue to be assessed on a means tested basis.
  - iii) Council tax support will not be paid above Council tax band H.
  - iv) Council tax support is capped at 76 percent of council tax liability.
  - v) The first £25 of weekly earnings are disregarded in the calculation of support.
  - vi) There is no entitlement to support where the applicant has capital of over £6,000.

- vii) Second adult rebate and underlying entitlement were abolished to remove the administrative burden of these.
8. For comparison purposes, the LCTS schemes for the other Essex District Councils are set out at Appendix A to the report.
  9. Harlow 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.
  10. 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:

**Table 1 – LCTS scheme costs for current and previous financial years**

| 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            | £2,859,265 | 4,427          | £3,378,867 | <b>£6,238,132</b> |
|                   |                 |            |                |            |                   |
| 30 September 2019 | 2706            | £2,850,114 | 4,307          | £3,434,117 | <b>£6,284,231</b> |

11. 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 Central Government has fallen

substantially with consistent annual reductions on previous years' funding. So, whilst the cost to Harlow Council for LCTS had reduced by just over £1.1 million between 2013/14 and 2018/19, the Council received a reduction in its mainstream central government funding of £3.3 million over the same period.

12. 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 percent compared to the collection rate in 2012/13. Council tax collection at the end of the second quarter in 2019/20 is reported at 56.30 percent, compared to a collection rate of 56.83 percent for the same period in the 2012/13 financial year.

**Table 2 – Yearly Council Tax collection at the end of the second quarter**

| <b>Date</b>       | <b>Council Tax Collection Rate</b> |
|-------------------|------------------------------------|
| 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%                             |
| 30 September 2019 | 56.30%                             |

13. At the time of writing this report:–

- i) 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 ten months.
- ii) 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.
- iii) 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.

14. 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, 1,244 (24.7 percent) have received a final notice where payments have not been received and 896 (17.8 percent) of 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.

**Table 3 –Recovery Action for working age LCTS claimants**

| Date              | Percentage of all working age LCTS claimants receiving a Final Notice in the financial year | Percentage of all working age LCTS claimants receiving a Summons In the financial year |
|-------------------|---|--|
| 30 October 2013   | 26.7%   | 16.6%  |
| 30 October 2014   | 29.8%   | 18.4%  |
| 30 October 2015   | 25.6%   | 23.1%  |
| 30 September 2016 | 23.36%  | 15.34%   |
| 30 September 2017 | 22.24%  | 16.51%   |
| 30 September 2018 | 23.67%  | 16.0%  |
| 30 September 2019 | 24.7%   | 17.8%  |

15. Whilst the collection position is currently higher than expected and the level of support being awarded has increased, 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**

16. Officers are keeping the performance of the LCTS scheme under review and as the Council plans for 2020/21 the scheme is in its seventh 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.

17. 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 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 may 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 can result 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.

18. At 30 September 2019, 1,244 recipients of LCTS had received a final notice compared to 1,023 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 at this time.

19. In order to mitigate the impacts of UC, officers are exploring Basildon Council's banded LCTS scheme which simplifies the scheme for claimants, reducing the impact of monthly UC changes on the level of CTS award and potentially simplifies the administration of the scheme. The Basildon scheme was introduced on 1 April 2019, and officers will continue to monitor its implementation during its first 12 months of operation and consider options this may present for Harlow's scheme in 2021/22 or 2022/23.
20. 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 2020/21 are to maintain the restriction on the entitlement to support at 24 percent for a seventh year and that the reductions to the Council's core Formula Funding will not be passed on to claimants despite the current uncertainty around funding for local government in 2020/21.
21. Alongside the review of the scheme for 2020/21 officers have considered the implications of awarding an additional £1 per week to working age jobless householders. It is estimated that this additional award would cost £66,500 per annum. The Council's software for assessing claims to LCTS does not currently provide a mechanism to enable officers to make this award, and therefore this would have to be delivered manually, resulting in a requirement for additional resources to administer such a change to the scheme. Officers do not recommend this as an option for the local scheme which would also require a public consultation exercise and equalities impact.
22. A full equalities impact assessment was carried out on the current scheme. This has been reviewed and is set out in Appendix B to this report.

## **CONCLUSION**

23. The LCTS scheme operated by the Council has performed well in its first seven 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.
24. It is again proposed to retain the scheme largely unchanged for the reasons set out in the report.

## **IMPLICATIONS**

### **Environment and Planning (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: Andrew Bramidge, Head of Environment and Planning**

**Finance (Includes ICT and Properties & Facilities)**

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 and Deputy to the Chief Executive**

**Housing**

As outlined in the report.

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

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

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)**

None specific.

**Author: Simon Hill, Head of Governance**

**Background Papers**

<https://www.harlow.gov.uk/council-tax-support-scheme-2019-20pdf>

**Appendices**

Appendix A – Proposed Essex Schemes 2020/21

Appendix B – Equality Impact Assessment – Local Council Tax Support Scheme

**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