

REPORT TO: **CABINET POLICY DEVELOPMENT WORKING GROUP**

DATE: **26 NOVEMBER 2020**

TITLE: **LOCAL COUNCIL TAX SUPPORT SCHEME**

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RECOMMENDED that:

- A** The Policy Development Working Group acknowledges the current position regarding the 2020/21 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2021/22.

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 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 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 2020/21 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 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 2020/21 financial year at its meeting held on 30 January 2020.

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 Council's overall funding has reduced by over 47 per cent but there has been no reduction in the Council's 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 annual schemes since 2013/14.
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:
 - 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% 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.

8. For comparison purposes, the LCTS schemes for the other Essex district councils are attached at Appendix A.
9. 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.
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 detailed below. In the current financial year there has been an increase in working age claimants linked to increased claims to Universal Credit (UC) following the Covid 19 pandemic.

LCTS Award	Pensionable Age		Working Age		Total LCTS Award
Date	Live Case load	LCTS Spend	Live Case load	LCTS Spend	
1 April 2013	3,819	£3,535,031	5,302	£3,810,068	£7,345,099
31 March 2014	3,673	£3,483,230	5,189	£3,741,202	£7,117,494
31 March 2015	3,547	£3,240,964	4,890	£3,363,313	£6,604,277
31 March 2016	3,291	£2,941,981	4,469	£3,184,219	£6,126,200
31 March 2017	3,099	£2,936,255	4,510	£3,068,939	£6,005,195
30 September 2017	3,027	£2,895,860	4,147	£3,144,517	£6,040,377
30 September 2018	2843	£2,859,265	4,427	£3,378,867	£6,238,132
30 September 2019	2706	£2,850,114	4,307	£3,434,117	£6,284,231
30 September 2020	2486	£2,753,754	4690	£3,883,891	6,637,645

11. In response to Covid 19 the government announced its intention to award a “hardship” payment of £150 to council tax payers in England in receipt of LCTS, and Harlow Council received a direct grant of £933,791 to make these payments. At the time of writing this report 5,908 households in Harlow have received a

payment of up to £150 to reduce their council tax liability, with the total awarded amounting to £801,822.

12. 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 has reduced by just over £700,000 between 2013/14 and 2020/21 the Council received a reduction in mainstream central government funding of £3.34 million over the same period.
13. 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 3 per cent compared to the collection rate in 2012/13. Council tax collection at the end of the second quarter in 2019/20 was reported at 56.30 per cent, compared to a collection rate of 56.83 per cent for the same period in the 2012/13 financial year. The collection rate at the end of the second quarter in 2020 is 53.83 per cent and this is attributable to the impact of Covid-19. The Council's Revenues and Benefits service has not undertaken formal recovery action in the current financial year, resulting in reduced collection of council tax due.

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%
30 September 2019	56.30%
30 September 2020	53.83%

14. At the time of writing this report:
 - a) Council tax collection rate is currently in line with original forecasts due to the impact of the Covid-19 pandemic. 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; and
 - 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 or avoiding the need for further recovery action.

15. Formal recovery action for council tax has been suspended in light of the Covid-19 pandemic. Officers have undertaken “soft” recovery action where payment of this year’s instalments has not been made, and those in receipt of LCTS have received specialist advice from the LCTS Officers where appropriate. As formal recovery action has not yet been reintroduced, those in receipt of LCTS have not been issued with a Final Notice or Summons in respect of the current financial year’s council tax. The table below provides details of action taken in previous financial years at the end of quarter two.

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%
30 September 2020	0.0%	0.0%

16. Whilst the collection position is currently lower than expected due to the impact of Covid-19 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 2021/22 Proposals

17. Officers are keeping the performance of the LCTS scheme under review and as the Council plans for 2021/22 the scheme is in its eighth 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 impacts of Covid-19, the longer term impacts of which are difficult to analyse and quantify at this time.
18. Universal Credit Full service was introduced in Harlow in September 2017. Where claimants of 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 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.

19. In order to mitigate the impacts of UC, Officers were exploring Basildon Council's banded LCTS scheme which simplifies the operation of the scheme and simplifies the scheme for claimants, reducing the impact of monthly UC changes on the level of CTS award. The Basildon scheme was introduced on 1 April 2019, and Officers were monitoring its implementation and progress with a view to analysing the impact of a banded scheme for Harlow. The Covid-19 pandemic has placed additional pressure on officers in delivering Covid related support to residents and businesses, and work to further explore the Basildon scheme has been put on hold during these unprecedented times.
20. Overall, monitoring of the local scheme indicates that it is still operating well and whilst collection of the amounts billed to claimants and residents overall has reduced this is not attributable to the scheme itself. Engagement with residents impacted by the changes has also been extremely good. In order to maintain certainty for both claimants and the Council, in these challenging times, the proposals for the scheme in 2021/22 are to maintain the restriction on the entitlement to support at 24 per cent for an eighth 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 2021/22.
21. A full equalities impact assessment was carried out on the current scheme. This has been reviewed and is attached to this report at Appendix B.

Conclusions

22. The LCTS scheme operated by the Council has performed well in its first eight 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.
23. 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 Property and 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 Property and Deputy to the Chief Executive

Housing

None specific.

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

Appendices

Appendix A – Essex LCTSS

Appendix B – Equality Impact Assessment

Background Papers

Harlow Council Local Council Tax Support Scheme –

<https://www.harlow.gov.uk/benefits/council-tax-support/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