

**REPORT TO:** CABINET

**DATE:** 1 DECEMBER 2022

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

**PORTFOLIO HOLDER:** COUNCILLOR JAMES LEPPARD, PORTFOLIO HOLDER FOR FINANCE

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

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

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I013861**

**The decision is not subject to Call-in Procedures for the following reason:**

It stands as a recommendation to Full Council

**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** Acknowledges the current position regarding the 2022/23 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2023/24.
- B** Recommends to Council that the current Local Council Tax Support Scheme remains unchanged for the 2023/24 financial year.

**REASON FOR DECISION**

- A** To comply with the requirement to implement a Local Council Tax Support Scheme (LCTS) annually.

**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 (LCTS) 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, the group has looked at those exemptions and discounts awarded to council taxpayers. As a result, the group 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 the current year and going forward 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% reduction in national funding when compared with CTB. The scheme must be reviewed annually and the Council approved its local scheme for the 2021/22 financial year at its meeting held on 10 December 2021.
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% 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 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 55% but there has been no reduction in the Councils support of its LCTS scheme.
6. 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. 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:

- 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 is 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 and Unitary Councils are attached at Appendix A.
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 detailed below. In the previous two financial years there was an increase in working age claimants linked to increased claims to Universal Credit following the Covid 19 pandemic, and this is now reducing in the current financial year.

<b>LCTS Award</b>	<b>Pensionable Age</b>		<b>Working Age</b>		<b>Total LCTS Award</b>
	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>
30 September 2020	2486	£2,753,754	4,690	£3,883,891	<b>£6,637,645</b>
30 September 2021	2397	£2,697,949	4,808	£4,008,503	<b>£6,706,452</b>
30 September 2022	2315	£2,725,471	4446	£3,852,305	<b>£6,577,776</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 has reduced by just over £767,000 between 2013/14 and 2022/23 the Council received a reduction in mainstream central government funding of £3.5 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 3% compared to the collection rate in 2012/13. The collection rates in 2020/21 and 2021/22 fell and this is attributable to the impact of Covid 19 and suspension of recovery action. Formal recovery action recommenced in the 2021/22 financial year, but many taxpayers will have had arrears of council tax to pay in addition to their current year's liability. The current year collection rate includes the council's efficiency dividend payments of just under £1,500,000.

<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%
30 September 2020	53.83%
30 September 2021	53.58%
30 September 2022	56.42%

13. At the time of writing this report:

- a) Council tax collection rate includes the Councils efficiency dividend payments of just under £1,500,000. The introduction of a 12 month instalment scheme by the Government in 2014 will also impact 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.

14. Formal recovery action for council tax was suspended during the 2020/21 financial year as a result of the Covid 19 pandemic. Officers undertook “soft” recovery action where payment of instalments had not been made, and those in receipt of LCTS received specialist advice from the LCTS officers where appropriate. As formal recovery action was not undertaken in 2020/21, those in receipt of LCTS were not issued with a Final Notice or Summons in year, and action has been taken in the subsequent financial year. The table below provides details of action taken in previous and current financial years at the end of quarter two in respect of those with open or closed LCTS claims.

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%
30 October 2021 2020/21 financial year	32.82%	15.91%

30 October 2021 2021/22 financial year	9.45%	0%
20 October 2022	Figure awaited	Figure awaited

15. Whilst the collection position is higher than recent years because of the efficiency dividend payments and whilst the level of support being awarded has reduced, recovery of amounts falling due can take several years to collect and it is currently too early to be able to forecast what the impact of Covid 19 will have on the overall final collection position for each year.

### **LCTS 2023/24 Proposals**

16. Officers are keeping the performance of the LCTS scheme under review and as the Council plans for 2023/24 the scheme is in its ninth 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.
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 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.
18. During the pandemic it became apparent to officers that the increasing LCTS caseload and interaction with UC was creating an ever increasing workload of monthly UC changes, which often results in very small increases or decreases in the overall level of LCTS, and results in the issue of revised bills, instalments and notifications to customers. These monthly changes cause considerable confusion and dissatisfaction for customers and generate unnecessary repeat contact for the customer and service.
19. Officers have explored alternative options to smooth out the interaction with UC for the benefit of the customer utilising a change to the scheme approved by Cabinet on 7 December 2017. This change affords the Revenues & Benefits service discretion in regard to Department of Works & Pensions notifications for working age CTS claims and enables the service to implement a regular review process, as opposed to monthly updates to claims. The Revenues and Benefits service continues to receive the DWP UC notifications, but uses these when the claim is reviewed, along with other DWP data that is available to the service. The review process implemented ensures those claims that have fluctuating earnings are reviewed more regularly. Any changes which affect the level of

LCTS will be reflected in the ongoing award and will only be implemented retrospectively where the change is significant, e.g., a change in the household make up, a change in the level of capital / savings. All LCTS claimants in receipt of UC are reminded of their responsibility to report significant changes. This change in procedure has delivered an improved service to customers, and also aids council tax collection.

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 increased in this year this is not attributable to the scheme itself. Engagement with residents impacted by the changes has also been extremely good. To maintain certainty for both claimants and the Council, in these challenging times, the proposals for the scheme in 2023/24 are to maintain the restriction on the entitlement to support at 24% for a tenth 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 2023/24.
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 ninth year 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**

### **Strategic Growth and Regeneration**

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, Director of Strategic Growth and Regeneration**

### **Finance**

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, Deputy to the Chief Executive and Director of Finance**

### **Housing**

None specific.

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

### **Communities and Environment**

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, Director of Communities and Environment**

### **Governance and Corporate Services**

None specific.

**Author: Simon Hill, Director of Governance and Corporate Services**

### **Appendices**

Appendix A – Essex LCTS Schemes

Appendix B- Equality Impact Assessment

### **Background Papers**

LCTS Scheme Policy

<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

DWP – Department of Work & Pensions

UC – Universal Credit