

Board/Committee:	Full Council
Date of meeting:	2 nd February 2022
Title:	Local Council Tax Support scheme
Author:	Head of Benefits, Procurement & Insurance
Status:	FOR DECISION

Purpose

The purpose of this report is to inform Members of the proposal to implement a revised Local Council Tax Support scheme (LCTS) for working age applicants with effect from 1st April 2022, implementing a modern, future proofed scheme and reducing the administrative burden placed on the Council by the introduction of Universal Credit.

Recommendation

That Council approves the new LCTS (summarised at 2.11 and attached as in full at appendix A) scheme based upon a new income banded / grid scheme for working age applicants with effect from 1st April 2022 and notes the continuation of the unchanged statutory scheme for pension age customers.

1.0 Background

- 1.1 Each year the Council is required to review its Local Council Tax Support scheme (LCTS) in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 to either maintain the scheme or replace it.
*Note: LCTS is also referred to as Council Tax Reduction or CTR.
- 1.2 LCTS was introduced from 1 April 2013 when it replaced the central government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year.
- 1.3 As with the majority of authorities within England, the Council has changed its
- Adjust the level of support in line with the funding available from central government;
 - Align the scheme with other welfare changes and
 - To aid administration.
- 1.4 Because of the effect of Universal Credit changes on the scheme, there is a need for fundamental change. This report details the changes and makes recommendation to members for the 2022/23 scheme.

2.0 Report

- 2.1 LCTS was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
- Placed the duty to create a local scheme for **Working Age** applicants with billing authorities.
 - Reduced initial funding by the equivalent of ten per cent from the levels

paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme and

- Prescribed that persons of **Pension age** would be dealt with under regulations set by Central Government and not the authorities' local schemes

2.2 Since that time, funding for the LCTS scheme has been amalgamated into other Central Government grants paid to Local Authorities and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.

2.3 The current LCTS scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

2.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of LCTS can only be made to the working age scheme.

2.5 When LCTS was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council required all working age applicants, to pay a minimum payment of 30% towards Council Tax.

2.6 Since that time, other slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit.

2.7 **Main issues with the current scheme**

There are a number of issues with the current scheme that will need addressing if the Council is able to provide the service in an efficient manner. The main issues are as follows:

- The introduction of Universal Credit for working age applicants; and
- The need for a simplification of the scheme
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2.8 **LCTS and the roll out of Universal Credit**

The introduction of Universal Credit within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of LCTS and also the collection of Council Tax generally. All Councils have experienced the following:

- The reluctance of Universal Credit claimants to make a prompt claim for LCTS leading to a loss in entitlement;
- A high number of changes to Universal Credit cases are received from the Department for Work and Pensions requiring a change to LCTS entitlement. On average 40% of Universal Credit claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-

calculation of instalments, delays, and the demonstrable loss in collection and

- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

It is clear that the existing means tested LCTS scheme, which is too reactive to change, will not be viable in the longer term now that Universal Credit has been rolled out fully within the area and with the substantial increase in Universal Credit claimants due to the COVID-19 crisis. The move to a new more efficient scheme from 2022 is now imperative.

2.9 **The need for a simplified approach to the LCTS Scheme**

Notwithstanding the introduction of Universal Credit, the existing scheme is based on an 'old fashioned;' means tested benefit scheme. It has major defects namely:

- It is complex for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is complex, with staff having to request significant amounts of information from applicants;
- Staff have to undergo significant training to be proficient in processing claims;
- The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications and
- The administration of the scheme is costly when compared to other discounts for Council Tax.

Clearly there is a need now to simplify the scheme, not only to mitigate the effects of Universal Credit, but also make it easier for customers to make a claim and to significantly reduce the costs of administration.

2.10 **The recommended approach for the 2022/23 LCTS Scheme**

In view of the problems being experienced with the current scheme, it is proposed that an alternative approach be taken from 2022/23. The approach has been to fundamentally redesign the scheme to address all of the issues with the current scheme and in particular;

- (a) The problems with the introduction of full-service Universal Credit; and
- (b) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit.

Work has been ongoing throughout the past year on a new scheme which is now complete. Consultation has been undertaken with the public and the precepting authorities. If approved by Council, the new scheme will take effect from 1st April 2022.

2.11

Weekly Household Income for LCTS purposes
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The proposed new scheme has a number of features as follows:

- The changes can **only be made to the working age scheme** as the current scheme for pensioners is prescribed by Central Government;
- The current means - tested scheme will be replaced by a simple income grid model as shown below;

Band	Single Person	Couple	Lone Parent with one Dependant	Lone Parent with two or more Dependents	Couple with one Dependant	Couple with two or more Dependents
Band 1 70%*	£0.00 to £100.00	£0.00 to £140.00	£0.00 to £160.00	£0.00 to £220.00	£0.00 to £205.00	£0.00 to £260.00
Band 2 55%	£100.01 to £180.00	£140.01 to £240.00	£160.01 to £240.00	£220.01 to £295.00	£205.01 to £281.00	£260.01 to £340.00
Band 3 40%	£180.01 to £215.00	£240.01 to £290.00	£240.01 to £255.00	£295.01 to £350.00	£281.01 to £320.00	£340.01 to £400.00
Band 4 25%	£215.01 to £255.00	£290.01 to £340.00	£255.01 to £280.00	£350.01 to £450.00	£320.01 to £370.00	£400.01 to £430.00
Band 5 0%	£255.01 or more	£340.01 or more	£280.01 or more	£450.01 or more	£370.01 or more	£430.01 or more

- It is proposed that the highest level of discount will remain at a maximum level of liability (70%) or capped at Band C whichever is lower as in the current scheme. Band 1, and all current applicants that are in receipt of a 'passported benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) receive maximum discount;
- All other discount levels are based on the applicant's (and partner, where they have one) net weekly income;
- The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants;
- There will be no charges made where an applicant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low income families where adult sons and daughters for example remain at home;
- To support working applicants, a standard £25 per week disregard will be provided against all earnings, there are currently 5 standard earnings disregards ranging from £5 to £25;
- Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded;
- Where any applicant, their partner or dependant child(ren) are disabled, a further disregard of up to £79.30 will be given, thereby maintaining the current level of support to those with disabilities;

- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and child maintenance will continue to be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed and
- Reducing the capital limit to £10,000 from £16,000 and removing the tariff income calculation applied now between £6K and £10K.

Although no changes can be made to the pensioner scheme itself any simplified administrative processes will also be applied to pensioner claims thereby simplifying the claims process for this group as well.

2.1.2 **How the new scheme will address the problems with the current LCTS**

With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by failings in the current scheme and Universal Credit as follows:

- **The scheme will enable a simplified claiming process.**
All applicants will see a significant reduction in the claiming process and, where possible, LCTS will be awarded automatically. For Universal Credit applicants Universal Credit data received from the Department for Work and Pensions (DWP) will be treated as a claim for LCTS where applicable. Where information is received from DWP, the entitlement to LCTS will be processed automatically without the need to request further information from the taxpayer in most cases. These changes will have the following distinct advantages namely:
 - (a) **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
 - (b) **Maximising entitlement to every applicant**- as there will no requirement for Universal Credit applicants to apply separately for LCTS, and for all other applicants, the claiming process will be simplified significantly. Entitlement to LCTS will be maximised with a reduced risk of loss of discount or the need for backdating;
 - (c) **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining collection rates. The increased level of discount will assist all those applicants on the lowest levels of income.
- **The income bands are sufficiently wide to avoid constant changes in discount.**
The current LCTS scheme is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax demands. The effect of this is that Council Tax collection is reduced. The new scheme, with its simplified income banding

approach will have the following advantages:

- Only significant changes in income will affect the level of discount awarded;
- Council Taxpayers who receive LCTS will not receive multiple Council Tax demands and adjustments to their instalments and
- The new scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

2.13 **Transition to the new scheme and the Exceptional Hardship Scheme**

The Council must be mindful that any change in scheme or a transition to a new scheme may have result in a change to the entitlement of certain applicants.

2.14 Inevitably, with any change in scheme, there will be some winners and losers although the proposed scheme has been designed to protect the most vulnerable. It is proposed that the new scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment under the Council's Exceptional Hardship Policy. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the applicant.

2.15 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme forms part of the LCTS scheme and falls to be paid through the Collection Fund.

2.16 **Other Options Considered**

The alternative to introducing a new scheme for LCTS from 2022/23 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Borough Council's area.

2.17 **Consultation**

As required by the legislation, the Council has consulted with both major preceptors and also the public. In the case of the public consultation, a full consultation was undertaken until 17th December 2021.

2.18 **Major Preceptors**

All major preceptors were consulted on the proposed new scheme.

2.19 **Public Consultation**

The public consultation produced 305 responses. The Council suggested 10 options for changes and the overall responses were as follows:

Option 1 – The introduction of an income banded scheme to replace the current scheme for all applicants of working age

Yes: 56.99%, No: 16.13%, Don't Know:26.88%

Option 2 - To limit the number of dependant children within the calculation for LCTS to a maximum of two for all applicants, the current scheme is based on this premise for claims received after April 2017.

Yes: 64.37%, No: 22.99%, Don't Know: 12.64%

Option 3 – To remove non-dependant deductions from the scheme

Yes: 51.76%, No: 25.88%, Don't Know: 22.36%

Option 4 – Disregarding Carers Allowance, the support component of the Employment and Support Allowance and the housing element of Universal Credit

Yes: 74.70%, No: 9.64%, Don't Know: 15.66%

Option 5 – Removing the current earnings disregards and replacing them with a standard £25 disregard for all working age applicants.

Yes: 58.54%, No: 18.29%, Don't Know: 23.17%

Option 6 - To allow further income disregards where an applicant, their partner or any dependant is in receipt of a disability benefit

Yes: 78.20%, No: 5.13%, Don't Know: 16.67%

Option 7 – Removing the Extended Reduction provision

Yes: 67.95%, No: 19.23%, Don't Know: 12.82%

Option 8 – Any new claim or change in circumstances which changes LCTS entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present)

Yes: 85.90%, No: 2.56%, Don't Know: 11.54%

Option 9 – Extending the 'backdating' provisions within the scheme

Yes: 82.05%, No: 6.41%, Don't Know: 11.54%

Option 10 - To reduce the maximum limit of capital from £16,000 to £6,000

Yes: 43.42 %, No: 43.42%, Don't Know: 13.16%

2.20 It can be seen from the above that the overall response to the changes have been positive and that the consultees largely support the recommended new Council Tax Support scheme.

2.21 It should also be noted that the original consultation was based on the proposal to reduce the current capital limit from £16,000 to £6,000. Due to the responses received, it is now proposed that a limit of £10,000 be used within the new scheme and that the current rule to apply tariff income between £6000 and £10,000 be discontinued. This will help retain support for applicants who have modest savings.

2.22 A full Equality Impact Assessment is included within Appendix 2 of this report.

3.0 Financial implications

3.1

FUNDING OF LOCAL TAX SUPPORT SCHEME –proposed scheme				
	£	£	£	%
	Existing Scheme	Revised Scheme	Additional Cost of Revised Scheme	
Estimated Cost	4,091,300	4,153,000	61,700	
Costs met by :				
Gosport Borough Council	512,200	520,000	7,800	12.52%
Hampshire County Council	2,933,900	2,978,100	44,200	71.71%
Police & Crime Commissioners	492,200	499,600	7,400	12.03%
Hampshire Fire & Rescue Authority	153,000	155,300	2,300	3.74%

The table above confirms the increased spend on the proposed LCTS scheme and is reflected in the Council’s draft budget for 2022/23.

4.0 Risk Assessment

4.1 The following risks are associated with the project:

Risk	Mitigation	Opportunities
Property <i>No risk</i>	N/A	N/A
Community Support <i>Potential Changes to the support of some working age applicants</i>	<ul style="list-style-type: none"> Where an applicant may receive less LCTS, they may apply for additional support under the Council’s Exceptional Hardship Fund In cases, where applicants have the lowest income, they may receive more support under the 	There is an opportunity to: <ul style="list-style-type: none"> Modernise the current scheme; Enable a scheme that will be fit for purpose; and Reduce administration.

	proposed scheme.	
Timescales <i>It will be essential to meet project timescales if the new scheme is to be introduced for the 2022/23 financial year.</i>	<ul style="list-style-type: none"> The work has already been completed with scheme design and extensive modelling. 	
Project capacity	<ul style="list-style-type: none"> Resources have already been allocated to the project which are sufficient 	
Financial / VfM <i>Changes to the scheme could potentially lead to changes in overall scheme costs</i>	<ul style="list-style-type: none"> Extensive modelling has been undertaken to estimate the costs of the scheme. This will continue throughout the life of the project. 	<ul style="list-style-type: none"> The Council has indicated that it is not looking to make savings from scheme changes.
Legal <i>Failure to set the scheme in accordance with the legislation and failure to comply with the legal requirements for developing a new CTR scheme</i>	<ul style="list-style-type: none"> The project has been undertaken strictly in accordance with legislative requirements 	
Innovation <i>Failure to maximise the potential of change and automation</i>	<ul style="list-style-type: none"> Throughout the implementation, we will look to take advantages of the latest automation of claims and the gathering of data. 	<ul style="list-style-type: none"> There will be more opportunity to enhance customer's online experience by receiving immediate decisions of discounts being granted.
Reputation <i>Failure to implement the new scheme on time or failure to deliver a comprehensive and robust scheme</i>	<ul style="list-style-type: none"> The project is following previous successful implementations by other Local Authorities 	<ul style="list-style-type: none"> There is an opportunity for the Council to enhance its reputation by developing an up to date an effective LCTS

4.0 Conclusion

It is recommended that Members approve the proposal to introduce a new income banded / grid scheme for LCTS for working age applicants with effect from 1st April 2022 to provide a modern, future proofed scheme and reduce the administrative burden placed on the council by the introduction of Universal

Credit.

A draft scheme for approval is included within Appendix 1.

Financial Services comments:	Contained within the report
Legal Services comments:	Contained within the report
Equality and Diversity:	A full Equality Impact Assessment is included within Appendix 2
Climate Change implications:	A full Equality Impact Assessment is included within Appendix 2
Crime and Disorder:	
Service Improvement Plan implications:	The updated and modernised LCTS scheme will aid the Service aim to streamline the claims process to assist our residents and reduce over complicated administration processes.
Corporate Plan:	The updated and modernised LCTS helps to support customers both through a simplified service but also financially to maximise claims made providing “the best service to our residents”
Risk Assessment:	A risk assessment is included within the report
Background Papers:	None
Appendices:	Appendix 1 – Draft LCTS scheme for working age applicants for 2022/23 Appendix 2 – Equality Impact Assessment
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