

**Title:** Local Council Tax Support Scheme 2024/25

**Meeting:** Council

**Date:** 14 December 2023

**Classification:** Part 1

**Policy Context:** All Corporate Priorities

**Key Decision:** Yes

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**Executive Councillor:** Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

## **1 Executive Summary**

To adopt a new Local Council Tax Support Scheme for 2024/25.

## **2 Recommendations**

**2.1 That the proposed changes to the current Local Council Tax Support Scheme be adopted for 2024/25.**

**2.2 That the administration changes be adopted for 2024/25.**

## **3 Background**

**3.1** For each new financial year, each billing authority must consider whether to revise its Local Council Tax Support Scheme (LCTSS) or to replace it with another scheme. The design of the LCTSS must be finalised by 31 January each year at the very latest. Failure to provide a scheme by this date would trigger the imposition of the Governments default scheme. The Government default scheme would require the Council to revert back to the level of support that would have been provided under the national Council Tax Benefit arrangements. Reverting to this scheme would mean that the Council would have to find in the region of circa £1.5 million from elsewhere in its annual budget.

- 3.2 The Council originally designed a scheme for 2013/14 which passed the reduction in funding received onto working age claimants, delivering a cost neutral scheme overall.
- 3.3 This scheme has been formally re-adopted each year since. It has proved to be a robust scheme with no legal challenges and good outcomes in terms of increasing collection. However, Southend has now been live with the Government's Universal Credit policy since July 2017 which has some impacts on our locally adopted LCTSS, particularly around claim dates and treatment of income.
- 3.4 As the scheme impacts on the Council Tax base, a key component in estimating the resources available to the Council, it is deemed prudent to confirm the scheme in December allowing Cabinet to agree a Council Tax base in January 2024 for the financial year 2024/25.

#### **4 Current Scheme**

- 4.1 Local Council Tax Support replaced Council Tax Benefit with effect from 1 April 2013. People of pension age continue to be protected from adverse changes by the Government but for people of working age, the Council has adopted a scheme which has the following key elements:
- The calculation of support is based on 75% of the Council Tax liability rather than 100%.
  - The calculation of support is based on a maximum of a band D property. This means that anyone of working age that lives in a property with a Council Tax band of E, F, G or H, has their support calculated as if their property was a band D.
  - The capital limit is £6,000 so those with capital exceeding £6,000 are required to make full payment of their Council Tax liability.
  - The introduction of an exceptional hardship scheme which is intended to help people whose individual circumstances mean that the increased Council Tax bill is causing them exceptional hardship.
- 4.2 In 2018/19 the Scheme was adapted to include 3 assessment changes. A flat rate deduction for non-dependents in the household. A minimum income floor for Self Employed earners and the Universal Credit Award Notification accepted as a claim for LCTS.
- 4.3 As Members will be aware people with disabilities that have had their property adapted can apply for a reduction in their Council Tax liability. Within the Council Tax Support Scheme disability benefits are disregarded when calculating the amount of support given and additional allowances for living expenses are applied.

- 4.4 The scheme was designed to take into account the ability to pay and the collectability of the resultant Council Tax liability. The amount of Council Tax due from working age recipients of LCTSS collected in year has been as follows: -

Year	% collected in year
2013/14	73.6
2014/15	76.2
2015/16	77.8
2016/17	80.2
2017/18	80.2
2018/19	80.8
2019/20	81.0
2020/21	89.5
2021/22	85.08
2022/23	82.08
2023/24	56.00 (end of Oct)

- 4.5 Although pensioners only account for 39% of the caseload, they account for 47% of the total cost. This is a consequence of the Government's requirement that the LCTSS must leave pensioners entitlement to assistance unaltered from the previous Council Tax Benefit arrangements, with any reduction in entitlements only affecting those of working age.
- 4.6 The managed migration onto Universal Credit which was originally due to begin in January 2019 and conclude by 2020 has continued to be postponed. Included as part of the most recent update from Government was confirmation that the new date for full rollout will now be 2024, although there is still potential for this target to move again given previous precedent. An official timetable for any managed migration of current caseload onto Universal Credit has not been released. Due to continuing delays, at this stage Southend-on-Sea Council do not know when the managed migration will commence or where they will fall in the national schedule of that roll out.

## 5 Current Developments

- 5.1 A project is underway to maximise people's incomes using a 'low income tracker' programme. By supporting people to maximise their income and claim relevant benefits we will also be in turn be supporting people to afford their Council Tax and other expenditure commitments and help with any transition in the assessment of their support entitlement under our LCTS scheme.
- 5.2 It should be noted that by ensuring people are maximising their income and claiming all relevant benefits to which they are entitled can also lead to other support avenues being open to them. For example automatic entitlement to certain government grants, reduction costs for accessing NHS services and dental services.

## **6 Impact of the 'Cost of Living' Crisis**

6.1 The Government have provided £2.8m in Household Support Fund for the 2023/24 year which has allowed us to support vulnerable people with the increased cost of their fuel and food bills and negate some of the impact of the cost-of-living crisis.

6.2 The Government have also provided the Local Authority with funding for a Council Tax Support Fund for 2023/24 to provide an additional top up towards their Council Tax charge for all in receipt of council tax support in 2023/24.

6.3 The Government have also issued 'cost of living' payments throughout the 2023/24 year to people on certain benefits. The first payment for £301 was issued April/May 2023, the second payment for £300 will be issued October/November 2023, and the third payment for £299 will be issued in Spring 2024.

A further payment for people on certain disability benefit for £150 was also issued in June/July 2023.

6.4 It should be noted that the percentage of people making no payments when on Council Tax Support remains steady at 15.08% of individuals yet to make a payment in this financial year. The collection of tax for those in receipt of Council Tax Support is positive also, with approx. 82% of the total debt billed collected each financial year; in the current financial year, 56% of the debt raised had been collected on 31st October 2023. The case numbers of people in receipt of LCTS in this financial year have steadily decreased, with the caseload now similar to that at pre-covid levels.

6.5 Unemployment has decreased in Southend when compared to the post pandemic years. Southend now has an unemployment rate of 2.9% compared to a national average of 3.6%, an improvement of 1.3% on last year which was 4.2% compared to a national average of 3.8%.

6.6 The Council in partnership with its stakeholders created a 'Cost of Living' booklet and webpage that provides Southend residents with details of all the support from financial to housing and health offered by the Council, Government and other organisations.

6.7 It is worth noting that the Council has provided additional support to people to help ease their financial pressures. This support will continue to be offered through the remainder of this financial year and will help to ensure the residents of Southend are in a stronger financial position moving into 2024/25.

<b>Support Offered</b>	<b>Description</b>
Council Tax Support Fund 2023/24 £331,121	The scheme gives a top up of up to £25 to all households in receipt of Council Tax Support throughout the 23/24 year. We have helped 9,958 households so far this year.
Household Support Fund £2,826,158	The grant is being used to support vulnerable households between 1st April 2023 and 31 <sup>st</sup> March 2024 with grants for food and fuel assistance, and some other essentials to vulnerable households in the city. We have made 18,059 awards so far this year.
Essential Living Fund £270,000	This is the local welfare provision in Southend. It provides food, fuel, clothing, furniture and white goods for people under exceptional pressure or settling in the community.
Discretionary Housing Payments £409,532	This is available for people who have a shortfall between their rent and the Housing Benefit or Universal Credit Housing Costs entitlement. It is designed to help secure tenancies or support people in the short term whilst they look for more affordable housing.
School Uniform Grant £25,000	This is available for parents or guardians under exceptional circumstances, either, changed schools after being housed by the Local Authority as homeless, changed schools after being placed in a refuge or having lost clothing due to a fire or flood.
Council Tax Exceptional Hardship Fund	This is for people struggling on a low income and unable to meet their Council Tax payments. They can request a reduction to the charge of 100%. This is means tested assessment and is only awarded in exceptional circumstances, and after all the available discounts/exemptions have been exhausted to assist with the reduction and management of the debt.

## 7 Consultation

- 7.1 A public consultation was operated from the 31<sup>st</sup> July 2023 to the 23<sup>rd</sup> October 2023 to gain feedback on the proposals as listed in section 8. There were 133 responses submitted.
- 7.2 65.6% of respondents were working age, and 94.7 were Council Taxpayers in Southend-on-Sea.
- 7.3 Some key details to highlight from the consultation in support of the new proposals are as below:
- 74.2% of respondents did not disagree with the introduction of a banded scheme.
  - Only 25% of respondents disagreed with allowing elements of Universal Credit paid in support of rent and disability to be fully disregarded from the assessment of income.
  - Only 21% of respondents disagreed with allowing the various supporting grants listed in the consultation to be fully disregarded.
  - 72% of respondents did not disagree that people in receipt of certain means tested benefits should continue to receive full support under the LCTS scheme.
  - 70.5% of respondents agreed the scheme should stay at a maximum award of 75% of liability, 11.4% voted for a cap of 70% and 18.2% voted for a cap of 65%.
  - 42.7% of respondents voted for a change to taking no deduction for a non-dependant in the household and 46.6% voted to stay at the flat rate deduction in use.
  - 9.2% of respondents agreed to flat rate disregard for earned incomes of £20 per week.
  - 80.9% of respondents did not disagree with the removal of a cap to the Band D council tax charge.
  - 84.9% of respondents did not disagree with the removal of the minimum income floor for self-employed people.
  - 75.2% of respondents agreed we should implement the proposed changes.
- 7.4 Some of the comments received during the consultation are presented anonymously below.

*I think it reasonable for changes to be made, that coincide with other benefit and wage changes.*

*Current system penalises people who live in the properties in higher band than D and who are income poor. Non-dependent deductions should be abolished all together.*

*Other councils have adopted this scheme and it works well. It simplifies a complex system for the customer and the council.*

*Any simplification to tortuous bureaucracy is to be welcomed.*

*Keep it simple, save stress, save money.*

*Any simplification should be a no-brainer as it helps both recipients as well as reducing complexity, and hence costs, at the council.*

*I regularly see clients who are struggling with all aspects of council tax and making the changes above would benefit the broadest number of our clients.*

*The system should be easy to understand and easy to administer.*

## **8 Proposals for Change**

- 8.1 The proposal is to change to an income banded scheme for all working age people entitled to support through the Local Council Tax Support Scheme.
- 8.2 The income of the applicant and their partner if they have one would be assessed to a net value and depending on the bracket this falls within result in a percentage award of Council Tax support.
- 8.3 Income that is currently disregarded in value in the scheme would continue to be disregarded, this includes Disability Living Allowance, Personal Independence Payment, Armed Forces Independence Payment, Severe Disablement Allowance, Attendance Allowance, Child Benefit, Child Maintenance, Guardians Allowance, Fostering Allowance, War Widows Pension, War Disablement Pension.
- 8.4 The proposal is also to disregard elements paid within Universal Credit that are additions to their standard and child element. These additional elements are premiums for extra costs the applicant may have related to disability, caring needs and rental charges.
- 8.5 Income that carries an automatic entitlement to maximum Council Tax Reduction will continue to do so under the banded scheme, these incomes being primary benefits representing the applicant's other income (if any) is below a basic living needs level.
- 8.6 Under the current scheme a standard deduction is taken for non-dependants in the household dependant on income. The new proposal would be to simplify this and not take any deduction.
- 8.7 Under the current scheme a range from £5 to £25 a week is disregarded from earned income. The proposal is to simplify this with a £20 a week disregard applied to any earned income.
- 8.8 Under the current scheme the calculation of support is based on a maximum of a band D property. This means that anyone of working age that lives in a property with a Council Tax band of E, F, G or H, has their support calculated as if their property was a band D. The proposal is to remove this cap and calculate the percentage of support on the Council Tax band of the property.

- 8.9 Under the current scheme a minimum income floor is applied to self-employed people who have had their self-employed business for more than a year. This then assumes a level of income which may be higher than the income being declared by the applicant. This was introduced in 2018/19. The proposal is to remove this and accept the proof of actual self-employed income the applicant is receiving.
- 8.10 The proposal is to add into the policy the disregard of certain compensation and support payments that are already disregarded in full in the assessment of Housing Benefit and pensioner Council Tax Support are also disregarded for LCTS.
- 8.11 The recommended model for the new banding scheme was formulated based on our current caseload (2023), consultation and comparison of a wide range of Local Authority banded schemes including those already in operation in Essex.

	Weekly Income & Discount (%)					
	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6
	£0.00 - £100.00	£100.01 - £175.00	£175.01 - £250.00	£250.01 - £325.00	£325.01 - £400.00	£401.01 +
Single No Children	75%	50%	25%	0%	0%	0%
Couple No Children	75%	50%	25%	0%	0%	0%
Single or Couple 1 Child	75%	75%	50%	25%	0%	0%
Single or Couple 2 or more Children	75%	75%	75%	50%	25%	0%

This will provide a savings in cost for the scheme circa £157,000 for a year. Modelling on our current caseload of 7423, circa 78% of cases would remain on the same level of support as current, 9% would receive more support and 13% would receive less support. The main people who will receive less support are couples who have capacity to increase their income, households with a high number of children who receive a high level of income and others with high levels of income. The model is more generous than the current system for people in low-income employment. People on the lowest incomes are not affected and are amongst the 78% receiving the same level of support.

## 9 Reasons for Decisions

### *On the proposals*

- 9.1 For 8.1 and 8.2 as listed above the introduction of a banded scheme will simplify the scheme making it easier for residents to understand and reduce unnecessary admin and associated costs. The current system is very complex calculation that is both difficult to understand and administer. A banded scheme will make the level of support more stable, making budgeting easier. Residents will be able to easily see the level of support they can get when changes in their lives happen and better budget for payment of their Council Tax charge. A simpler scheme will create capacity in the benefit service so we can better support residents.

An award of support will be calculated as a discount to the council tax charge based on the income bracket they are in, so this can be recorded on the council tax bill and no additional notification will need to be issued. This will save the printing and postage of current Council Tax Support notifications which would be circa £11,000 a year.

The resident will also receive a single notification containing both their charge and support details which will make it less confusing to understand the Council Tax they have to pay. Under the current scheme the charge and support notifications are not issued on the same day, and under separate cover, so there is often overlap with the dissemination of the information and can cause unnecessary contact from residents.

- 9.2 For 8.3 and 8.4 as above, continuing to disregard these supporting benefits in the assessment of income retains a fairness to the system where these benefits are paid as additional support to those with more needs. Housing Costs element awarded in Universal Credit should be disregarded as income as it is paid to cover rental costs and is not an 'income' for people to live on.
- 9.3 For 8.5 as above, continuing to provide full support for people on these benefits retains fairness to the system as the people in receipt of them have no income or a small income that places them below the basic living needs level and this is just bringing them up to that basic standard.
- 9.4 For 8.6 as above, the use of a flat rate deduction in a previous year's amendment did simplify the calculation, however, there is still complexity behind the decision as to whether a deduction would even apply. By removing this, applicants would find assessing their likely entitlement and budgeting for paying their Council Tax an even simpler process.
- 9.5 For 8.7 as above, using a flat rate deduction to earned income would make it easier for applicants to track the effect of moving into employment on their Council Tax Support entitlement and budget for paying of their Council Tax charge.

- 9.6 For 8.8 as above, removal of a cap to Band D would not be a large increased expense to the scheme and simplify the administration and calculation of support. There are currently only 70 claims in a banded property above band D. It will also mean that people who are property rich, but cash poor are not penalised in the system.
- 9.7 For 8.9 as above, removal of the minimum income floor will support people in self-employment but not yet reaching a standard profit level which is what the minimum income floor level applied, to stay building their business and in employment.
- 9.8 For 8.10 as above, disregarding compensation and support payments will bring the LCTS scheme in line with practice across the assessment of all other benefit schemes and be in line with Government intention.
- 9.9 For 8.11 the proposal has been used to set the recommended 1% increase in the Council Tax base that is also under cabinet decision. It is providing a cost saving circa £157,000 with the majority of people currently claiming receiving the same or more level of support.

#### *On the recovery of Council Tax*

- 9.10 Having a benefit system that works within thresholds, rather than exact calculations, will provide clear and concise, understandable calculations to residents. In addition to the residents' knowledge and understanding of the calculation, this will also prevent multiple different demands from being generated, which can lead to additional confusion for residents. Not only does this cause confusion with carried forward instalments, references from prior bills calculations etc, but also prevents the Council from taking recovery action, if necessary, as each recalculation of the account re-commences the billing procedure (with a new reminder, second reminder and final notice being required).

The reduction of account recalculations will therefore lead to a greater understanding for residents, a reduction in postage/printing costs for the Council, avoid unnecessary contact from residents, and allow the Council to seek appropriate recovery action through the court in a swift manner, for those that are avoiding payment.

## **10 Other Options**

- 10.1 A range of options were considered as part of the consultation exercise. The recommended scheme best meets the Council's priorities within reasonable financial parameters.

## **11 Financial Implications**

- 11.1 The new banding scheme will provide a savings in cost for the scheme of circa £157,000 for a year.

If the Council were to revert to the default scheme (the old council tax benefit scheme), the financial impact would be in the region of £1.5 million.

In headline financial terms for our residents 9% will be better off under the new scheme using current caseload all other matters unchanging. 13% of residents could see a reduction in their support using current caseload all other matters unchanging.

Most people within our current caseload would be unaffected financially.

## **12 Legal Implications**

- 12.1 The Local Government Finance Act 2012 provided for the introduction of the localisation of Council Tax support by making changes to the Local Government Finance Act 1992. These require that:

- For each financial year, each billing authority must consider whether to revise its scheme or replace it with another scheme.
- The authority must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

A detailed exceptional hardship discount policy has been written under section 13a of the Council Tax legislation.

## **13 Carbon Impact**

- 13.1 There will be less printing and postage operating the new scheme.

## **14 Equalities**

- 14.1 An equality impact assessment has been undertaken as part of the proposals for changes to the scheme from April 2024. This is available as a background paper to this report.

**15 Consultation**

15.1 Before final approval of local schemes, Councils are required to consult:

- Major precepting authorities (Police and Fire)
- The public
- Relevant stakeholder groups e.g. Citizens Advice, voluntary bodies

Full consultation has been previously undertaken with these groups in 2012 prior to proposing the current scheme, and then changes in 2015 and 2017.

15.2 The current proposal was fully consulted on from 31<sup>st</sup> July 2023 to the 23<sup>rd</sup> October 2023. For full details see section 7 of this report.

**16 Background Papers**

Latest Equality Impact Assessment Report

Full Consultation Report

**17 Appendices**

None

**Report Authorisation**

This report has been approved for publication by:

<b>This report has been approved for publication by:</b>		
	<b>Name:</b>	<b>Date:</b>
S151 Officer	Joe Chesterton	27/11/23
Monitoring Officer	Kim Sawyer	06/12/23
Executive Director(s)	Joe Chesterton	27/11/23
Relevant Cabinet Member(s)	Cllr Tony Cox	30/11/23