

REPORT OF Section 151 Officer  
To: Full Council  
Subject: Local Council Tax Support – Banded Income Scheme  
Date: 18th July 2022 Reference:

**PURPOSE OF REPORT:** To seek members approval for officers to undertake a consultation exercise on the introduction of banded income scheme for Local Council Support, with the intention that it is introduced from the 1<sup>st</sup> April 2023.

## 1. Introduction and background

- 1.1. Prior to 2013 residents on benefits and low income could be eligible to receive Council Tax Benefit. This scheme whilst administered by local authorities such as Torridge was governed and funded by the Department for Work and Pensions (DWP). In very simple terms for every pound of Council Tax not collected because of the award of Council Tax Benefit, Torridge was compensated one pound by the DWP.
- 1.2. If there was a rise in the claimant count and the amount of Council Tax Benefit rose, the Council received more funding from the DWP. Essentially Torridge and other local authorities were protected from variations in the amount of Council Tax Benefit awarded.
- 1.3. From the 1<sup>st</sup> April 2013 Council Tax Benefit was abolished and replaced by a system of Local Council Tax Support (LCTS). Central Government decreed that those of pension age would be protected under any system of LCTS and the regulations are prescribed by the DWP for these residents. As with many local authorities, pensioners accounted for in excess of 50% of the recipients of Council Tax Benefit. LCTS for residents of working age was at the discretion of local authorities.
- 1.4. In establishing the funding for LCTS Central Government:
  - Took previous expenditure on Council Tax Benefit as a base for future funding of LCTS and then cut this by 10%. As pensioners were protected and represented in excess of 50% of the caseload for council tax benefit (and would continue to be for LCTS) this was essentially a funding cut in excess of 20%.
  - The funding for LCTS was then apportioned to the various preceptors based upon their percentage of the Council Tax; for example Devon County Council would have received circa 73% of the funding.
  - This funding was then included within local authorities' general government grant settlement, which were then subject to subsequent cuts as part of the austerity agenda.
  - In essence it is not possible to identify what proportion of the Council's Central Government grant funding pertains to LCTS, but it is unquestionable that the costs of LCTS exceeds any "residual" grant funding.
  - For information direct Central Government grant funding for Torridge Council in 2012/13 was £3.125m; in 2022/23 it is £1.181m
- 1.5. For the financial year 2021/22 the costs of LCTS were circa £4.2m, of which Torridge's share at 8.5% was £357k, pensioners (circa 2,400) represent circa 60% of the caseload whose entitlement to LCTS is protected by Government regulations. There are circa 1,650 LCTS claimants of working age within Torridge.

## 2. Current Scheme

2.1 The current LCTS scheme has remained unchanged since its inception in 2013/14. A proposal to amend Torridge's LCTS scheme in 2016 was rejected by members. The core components of the current LCTS scheme are:

- All changes in income are reassessed and entitlement to LCTS recalculated and where appropriate, claimants are rebilled. \*\*\*\*
- Where claimants have a non-dependant living with them, their entitlement to LCTS is normally reduced
- Capital limit of £6,000 for the award of LCTS
- Award of LCTS limited up to a Band D

\*\*\* For information the Council receives circa 21,000 notifications of changes per annum from Universal Credit with respect to changes to universal credit awards. These notifications need to be considered by benefits officers and as required amendments made to awards of LCTS. This in turn generates a new council tax bill which will impact on the payment dates for customers and recovery. For information the funded front line establishment for Torridge's benefits team is 4 full time equivalent staff.

## 3. Proposed Scheme

Officers in conjunction with a member working group engaged a company called Policy in Practice to model proposed changes to the Council's LCTS. Policy in Practice were provided with guidance prior to undertaking their work, the scheme should be:

- Simpler for our customers to understand
- Simpler to administer
- Be broadly cost neutral

The proposed scheme is an income banded scheme in line with similar schemes already adopted successfully by many councils across the country. With an income banded scheme entitlement to LCTS only changes should income move between bands. The income bands and their associated LCTS levels are detailed in the table overleaf. Other components of the proposed scheme are:

- Removal of non-dependant deduction
- Introduction of a minimum income floor for self employed in line with Universal Credit regulations (35 hours x national minimum wage).
- Retention of the £6,000 capital limit.
- Retention of the Band D limit.

The key findings of the modelling undertaken by Policy in Practice are detailed below:

- Broad cost neutral – estimate additional costs £24k per annum – Torridge share circa £2k
- 85% of working age claimants would receive 75% support towards their Council Tax liability
- 155 households would gain more than £5 per week under the proposed banded income scheme, whilst 101 households would see their support reduce by over £5 per week.
- Only 2 households would lose support completely.
- Those losing support are primarily self-employed on legacy benefits \*\*\*\*\*

\*\*\*\*\*. The DWP has signalled that the migration to Universal Credit put on hold during the pandemic will recommence imminently and be completed by March 2024. Consequently

legacy self-employed claimants of LCTS will at that juncture be subject to the minimum income floor as dictated by Universal Credit regulations.

#### Proposed bands for revised LCTS scheme

Council Tax Support Level	Passported	Single	Couple	Family 1 child	Family 1+ children
		Monthly Income	Monthly Income	Monthly Income	Monthly Income
<b>Band 1: 75%</b>	Income Support, IrJSA/IrESA, Universal Credit (no earnings)	Nil	Nil	Nil	Nil
<b>Band 2: 40%</b>	N/A	£0 to £477	£0 to £650	£0 to £1,018	£0 to £1,608
<b>Band 3: 20%</b>	N/A	£477.01 to £698	£650.01 to £867	£1018.01 to £1235	£1608.01 to £1820
<b>Band 4: 10%</b>	N/A	£698.01 to £888	£867.01 to £1062	£1235.01 to £1430	£1820.01 to £2015

The proposed scheme has three main advantages

- It is simpler for claimants to comprehend, they know their income can fluctuate within a band and not result in a change to their LCTS assessment.
- It will be simpler to administer for the Council as officers will not need to reassess LCTS entitlement for every change in income; neither will officers need to enquire about non-dependant status
- The introduction of the minimum income floor aligns with Universal Credit regulations.

## 4. Next Steps

This report seeks member approval for officers to formally go out to consultation with regards to changes to LCTS scheme. It is considered good practice within the revenues and benefit sphere for the consultation period to be 12 weeks.

The consultation process will involve mailshots and extensive comms. Consultees will include

- Our residents
- Our preceptors
- Town and Parish Councils
- Other partners such as the Citizens Advice, housing associations

The results of the consultation will be reported back to Full Council with any proposed amendments to the scheme arising therein.

The deadline for the formal adoption of the policy is the end of January 2023, in order that the scheme can be implemented by the Council's software provider Capita and that both training and testing can be undertaken prior to annual billing.

In addition to the implementation costs of Capita, initial software license purchase - £21,875 and two consultancy days costs at £2,600, there will be an on-going annual subscription of £4,375.

### Implications

#### Legal Implications

The Council is required to consult on changes to its LCTS scheme, the application of LCTS with respect to pensioners is dictated by Central Government.

#### Financial Implications

These are contained in the report.

#### Human Resources Implications

n/a

#### Sustainability Implications

None directly applicable to this report.

#### Equality/Diversity

Considered within the modelling undertaken by Practice in Policy.

#### Risk Management

The Council will be required to reduce net expenditure over the medium term. The modelling undertaken details the risk to the council of not getting its finances back into a balanced position.

#### Compliance with Policies and Strategies

Subject to Consultation and Full Council approval a revised LCTS scheme policy will have to be formally adopted.

## Lead Member Views

Councillor Newton:

Date of Consultation – 15th June 2022

A review of the Council's LCTS is long overdue, the scheme proposed simplifies the process both for the recipients of LCTS and eases the administrative burden for hard pressed council staff. Full Council is urged to recommend that the income banded scheme goes out to formal consultation.

## Member working group

Date of Consultation – 15<sup>th</sup> June 2022

At a time when the budgets of both the Council and our residents are facing severe financial strain, it is important that the proposed scheme is broadly financially neutral. Relative to the numbers in receipt of LCTS the numbers experiencing any significant financial gain or loss are not material. The reduction in the admin burden on our benefits team that would result from the adoption of this scheme is critical as the service continues to experience significant workload and resourcing issues.

## **Conclusion**

The report highlights advantages of the proposed change to the LCTS scheme.

## **5. Recommendations:**

That members authorise officers to begin a formal consultation on the proposed amendments to the LCTS scheme as detailed in this report, and that Full Council approves in principle the suggested amendments to the LCTS support scheme.