



REPORT TO: Council 21 February 2019

LEAD CABINET MEMBER: Lead Cabinet Member for Finance

LEAD OFFICER: Executive Director

Localised Council Tax Support Scheme 2019-2020

Purpose

1. To approve the Localised Council Tax Support Scheme for 2019-2020

Recommendations

2. That Council approves the Localised Council Tax Support Scheme for 2019-20
 - Option 2 - Income Bands Discount Localised Council Tax Support Scheme

Reasons for Recommendations

3. The proposed scheme will enable residents to have more certainty in respect of the amount of Council Tax they have to pay. The Banded scheme would result in fewer amendments to Council Tax Support and as a result less amendments to the amount of Council Tax payable.
4. The recommended scheme has been designed so that those claiming LCTS should not in the main be worse off, as the main principles of the current scheme will remain. The changes relate largely to more administration aspects.
5. The current LCTS scheme which has broadly replicated the former Council Tax Benefit scheme, is considered not be fit for purpose going forward as the rollout of Universal Credit (UC) continues.
6. The projected increased workload with continuation of the current scheme cannot be delivered within the current staffing structure.
7. The introduction of Universal Credit (UC) will mean significant changes for residents. The design of UC and its direct links to HMRC earnings data mean that residents in receipt of UC will see a significant number of changes to their LCTS entitlement over the year. If the current scheme remains in place some residents will have changes in their entitlement and payments from month to month.
8. The option recommended has been implemented successfully by other Local Authorities where UC has been in place for a longer period.

Background

9. A report was presented to Cabinet with regards to several options for LCTS for 2019-2020, and the decision was taken to consult on two options.
10. The option supported by members was a banded discount scheme as this was a longer-term option and a further radical change to the design of scheme would not be required in the short to medium term.
11. The current LCTS scheme has been in operation since April 2013. The amount of Council Tax support has reduced year on year and has been consistently less than the amount estimated. The number of households receiving LCTS is decreasing despite an increase in the number of residential properties in South Cambridgeshire.
12. The consultation lasted 6 weeks, ending on the 11 November 2018, with 379 responses received; this is significantly more than previous LCTS consultations where responses have on each occasion been less than 100. The results can be found in APPENDIX A
13. The Universal Credit (UC) Full Service rollout for the majority of South Cambridgeshire commenced on 17 October 2018; it is estimated that by the end of 2018/19, 15% of residents, who would have previously received Housing Benefit, will be receiving their housing costs as part of a UC Award.
14. The introduction of UC will change the landscape for LCTS as changes to UC are more frequent. UC is calculated monthly by the DWP and where the customer is working is assessed using HMRC earnings data.
15. The initial modelling suggests that there could be in the region of 1800 cases on UC by the end of 2019/20. This could double the number of notified changes the team has to process based on initial predictions the number of processed changes could increase from 25,000 to 50,000.

Considerations

16. The outcome of the consultation on the question of how South Cambridgeshire should change Council Tax Support for working age people was just over half of all those who responded (51%) support continuing with the current scheme.
17. The current LCTS scheme has been in place since April 2013 with relatively few amendments and is well understood by residents.
18. The consultation outcome also confirms that of those who did not support continuing with the current scheme (182); 70% (127) supported a change to an Income Band Discount scheme rather than the alternative Fixed Period scheme.
19. The introduction of Full-Service UC in October 2018 means most working age residents who would have claimed housing costs as part of a Housing Benefit now have to make a claim for UC and a separate claim for LCTS with the Council.
20. Under the current LCTS scheme any change in income or circumstances requires the LCTS to be reassessed. The resident then receives a new Council Tax bill after the reassessment confirming a resulting change to the amount of Council Tax payable.
21. The opportunity has been taken to review the learning, experience and current best practice from Local Authorities where full service UC has already been implemented. It is apparent that there are a limited number of options which are considered viable on a medium to long term basis for LCTS.

22. The consultation reflected on those options which were considered as viable as well as the current scheme in place.
23. Those Local Authorities with similar LCTS scheme to South Cambridgeshire where Full-Service UC has been in place for a longer period have encountered significant issues
24. The issues which have been highlighted are shown :-
 - Residents receiving multiple bills and are confused as to what do they need to pay
 - Increased number of residents receiving LCTS who are subject to recovery action
 - Increased contact from residents via telephone and in person
 - Increased administration for Revenues and Benefits team
 - Reduction in collection rates for Council tax for those in receipt of UC and LCTS
25. The issues highlighted are a consequence of LCTS changing each time UC is amended.
26. The recommend option is on the basis that not changing scheme would be detrimental to residents and the Council; and the consideration of the issues which other Local Authorities have encountered.
27. It is considered that the current LCTS will not be fit for purpose going forward as the rollout of UC continues.
28. The recommended option is therefore option 2 – Income Bands Discount scheme despite resident’s preference of continuing with the current LCTS scheme.
29. The administration of LCTS will still result in changes to income being processed; although a proportion of these changes the processing will be automated. A new Council Tax bill will only be issued when a change would result in a move of income band or cancellation of entitlement.
30. The option of Banded Discount Scheme (Option2) is preferred by residents and only minor amendments will be required annually. The Fixed Benefit period scheme (option1) may be a shorter-term option and could in the future require significant amendments so that the administration could be sustained.

Options for Localised Council Tax Support Scheme

- Option 1:
 - Amended the scheme based on Fixed Benefit periods based on risk for UC Claimants and harmonise the rules within LCTS to match those currently within Housing Benefit to enable the scheme administration to be simplified.
 - Working age Scheme to harmonise the rules with those in Housing Benefit to enable the administration of the scheme to be simplified
- Option 2: Amended scheme based on Income Bands Discount Scheme for LCTS for working age claimants.
- Option 3 – Continue with the current LCTS scheme

Implications

Financial

31. Based on the options detailed within this report, either LCTS scheme as modelled should be affordable in the context of the Council's Medium-Term Financial Strategy (MTFS) but full costing cannot be assessed as the numbers of claimant and claims for UC cannot be confirmed.
32. The modelled cost of the agreed scheme is a key component in setting the Council Tax base. This is required to be set by the 31 December 2018, following initial consultations with parish councils.
33. The introduction of UC is likely to result in further reductions in the grant the Council receives towards the cost of the administration of Housing Benefit. The notification of any reduction is likely to be received at the end of 2018; modelling has been undertaken to estimate the likely reduction to enable this to be included in the MTFS.

Legal

34. The Scheme must be agreed by Council before the end of February 2019 following consultation with residents on any proposed changes to the LCTS scheme.

Staffing

35. The implementation of a major change to the LCTS scheme could require a large amount of extra resource within the Customer Contact Centre. The proposed option (2) is expected to limit any extra resource requirement.
36. Option 1 - Would see a significantly smaller number of residents affected at the start of the 2019/20 financial year with those numbers increasing gradually as new claims for Housing Benefit are replaced with claims for UC.
37. Option 2 - Would result in all working age claimants of LCTS being affected at the start of 2019/20 financial year. As the design of the scheme will not result in residents being worse off this is unlikely to result in an increase in contact with the council regarding the change in LCTS and the amount they pay towards their Council Tax.
38. The cost of LCTS is shared between the major preceptors but this excludes the costs of administering the scheme; any increases to staffing costs fall directly to this Council.

Risk Management

39. A significant economic downturn could result in an increase in demand for Council Tax Support the cost of which would be borne by all the major preceptors and in excess of budget framework.
40. As already noted in this report the introduction of UC may result in a further reduction in the administration grant payment from the DWP, this has been modelled and an estimated reduction provided which will enable it to be included within the MTFS proposed.

South Cambridgeshire District Council Reduction Scheme

41. A copy of the South Cambridgeshire District Council Reduction Scheme has been published with this report on the Council's website and a hard copy is available to Members on request.

Background Papers

South Cambridgeshire District Council Reduction Scheme S13a and Section 1a Local Government Finance Act 1992.

The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2018

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