



## Cabinet

Item  
**8(i)**

19 December 2023

<b>Report of</b>	<b>Head of Operational Finance</b>	<b>Author:</b> Adam Wood
<b>Title</b>	<b>Local Council Tax Support Scheme 2024/25</b>	
<b>Wards affected</b>	All wards	

### 1.0 Executive Summary

1.1 Local Council Tax Support (LCTS) is one of the largest financial support mechanisms for Colchester residents on a low income. Currently, Colchester operates a 'means-tested' LCTS scheme which means for every £1 of income a customer receives, this will impact their award and subsequent Council Tax payments.

This is particularly an issue with our customers who are in receipt of Universal Credit (UC). UC is assessed monthly and any small change in their award must be accounted for within their LCTS entitlement. This means a customer's LCTS entitlement could change every month. On average, we revise a customer's LCTS entitlement 8 times per year where they are in receipt of UC.

The frequent changes in Council Tax payments are extremely administratively intense and this also causes confusion for customers. Even a very minor change in a person's income leads to numerous letters being posted, increased customer contact and having a negative impact on our Council Tax recovery.

We are proposing the introduction of a simplified LCTS 'banded' scheme for 2024/25 which will assist in combatting these issues. This includes making the scheme easier to understand for residents, giving them more stability in their award whilst significantly reducing back-office administration.

### 2.0 Recommended Decision

2.1 Adopting a 'banded' Local Council Tax Support scheme for 2024/25.

2.2 The Local Council Tax Support scheme 2024/25 be referred to Full Council for approval and adoption.

### 3.0 Reason for Recommended Decision

3.1 The process of UC managed migration is now underway from July 2023 in East Anglia. This means more people will be moving over to UC from 2024/25 so it is vital processes are put in place to try and simplify Council Tax payments for our most vulnerable residents.

3.2 Some key benefits of adopting a 'banded' LCTS scheme include, but are not limited to:

- Improved Council Tax recovery
- Quicker decision(s) for our customers

- Fewer bills sent to customers.
- Back-office admin savings
- Cost neutral – overall level of support remains the same (£9.31m)
- Reallocating of resource to other areas to maximise savings and concentrate on generating revenue
- Improved customer journey – simple application form, digitalisation
- Improves possibilities for shared working
- Reduced customer contact
- Protection for those customers who will be worse-off

#### **4.0 Alternative Options**

4.1 No changes are made to the LCTS scheme for 2024/25.

## 5.0 Background Information

### 5.1 What is Local Council Tax Support (LCTS)?

- LCTS is a means-tested Benefit that supports around 8,800 households throughout Colchester. Nearly 5,500 of these households are working age.
- LCTS for working age residents is a locally designed scheme which Colchester City Council (CCC) has full influence over. LCTS for pension age residents is set by Central Government using Prescribed Regulations – CCC has no influence over this scheme design.
- Any changes proposed in this scheme will impact only working age residents. Pension age residents will remain on the current scheme, set by Government.

### 5.2 Colchester City Council's Current Scheme (2023/24) – working age only

5.3 The scheme has remained relatively static since 2018. The key features of the working age scheme include:

- Means-tested benefit
- A maximum entitlement of 85% for low-income residents (implemented for 2023/24 due to the cost of living crisis – previously 80%)
- Capped at Council Tax Band D
- A minimum entitlement of £2.00 per week needed to qualify
- Capital limit of £6,000
- A £12.00 flat-rate non-dependant deduction (a non-dependant is another adult who lives in the property, but not a partner).

### 5.4 Financial Considerations

5.5 The current cost of the LCTS scheme is £9.31m and the cost of the scheme is shared between the preceptors as follows:

Essex County Council	-	73.52%	-	£6.84m
Essex Police	-	11.43%	-	£1.06m
<b>Colchester City Council</b>	-	<b>11%</b>	-	<b>£1.02m</b>
Essex Fire and Rescue	-	4.05%	-	£0.38m

As shown above, the scheme currently costs CCC around £1m per year.

Generally, the cost of the scheme increases by around 5% each year due to the increase in Council Tax charges and the growing Council Tax base. This increase in cost is offset by the increase in Council Tax revenue year-on-year.

### 5.6 Caseload

5.7 Between 2013 and 2020, LCTS caseload decreased year-on-year. Due to the pandemic, caseloads increased in 2021 but have now settled to pre-covid levels and are falling year-on-year.

The current caseload is 8822 with nearly 5500 of those cases being working age.

We anticipate caseloads to follow the trend of recent years and decrease between 1-2% for 2024/25.

See Appendix item A for an overview of the caseload since 2013.

## **6.0 What is a 'banded' LCTS scheme?**

6.1 The scheme works by placing a customer's weekly income into a corresponding 'band' based on their household make-up.

The amount of support a customer receives will only change if their income or household changes significantly to move them into a different 'band'.

The 'award' is applied as a discount directly onto their Council Tax bill. The discount will be applied and highlighted on the Council Tax bill similarly to how a Single Person's Discount or other similar discount would be shown.

We are also proposing a 'protected' group which means Colchester's most vulnerable households will receive maximum support towards their Council Tax (80%).

The support will be restricted to 2 children, these are the same rules applied within Universal Credit. As such, any customer with 3+ children will not qualify for any additional support.

See Appendix item B for our proposed 'matrix' and further details.

## **7.0 Rochford Case Study**

7.1 We have been working closely with Braintree and Epping District Council as they are on a similar path to us and are also proposing a change to a 'banded' scheme for 2024/25. Epping's scheme has recently been granted Cabinet approval and Braintree's scheme is expected to be granted approval in December.

We have also been in frequent contact with Rochford Council as they successfully moved over to a banded scheme in 2022/23.

Since moving over to a banded scheme, Rochford have:

- Seen an improvement in their speed of processing – customers are receiving their decision's faster (previously averaged 30 days – now 2)
- Carried out a customer satisfaction survey – 4.6 out of 5 for the application process as a whole
- Reskilled 15% of their Benefits staff in different areas to increase income and maximise back-office savings
- Estimated to have saved £41k in admin FYE 2022/23
- Had no negative impact on Council Tax recovery
- Reviewed 10% of their cases in year one

Brentwood and Castlepoint have also successfully moved across to a 'banded' scheme and the expectation is more authorities will follow suit this year and next.

## **8.0 Why change to a 'banded' LCTS scheme?**

- 8.1 As more people continue to move across to Universal Credit (UC), their income is assessed each month and any small change in their income subsequently changes their Council Tax instalments. This causes confusion for residents, increased customer contact, resetting of direct debits and negatively impacting Council Tax recovery. On average a UC customer will receive 8 bills per year.
- 8.2 The process of UC managed migration started in July 2023 in East Anglia. This means more people will be moving over to UC from 2024/25 so it is important processes are put in place to try and simplify Council Tax payments for our most vulnerable residents and give them stability where possible.
- 8.3 Advantages of a 'banded' scheme include:
- Savings in back-office admin due to fewer customer changes to process
  - Customers have stability as their award will not fluctuate with every change in their income
  - Customers will receive a decision faster
  - Maximum support for vulnerable households via the 'protected' group
  - Reskilling of staff to assist in other areas of Revenues and Benefits to maximise income and back-office savings
  - Reduced customer contact allowing resource to be focused on more complex cases
  - Emphasis is on the customer to notify us of any changes
  - Easy for customers to understand their 'band' based on their household and weekly net income
  - Improved recovery of Council Tax
  - Reduced postage costs
  - Cost neutral – overall level of support remains at £9.31m per year
  - Easier to train staff (new and existing)
  - Allows prioritisation of other areas of work which can bring an additional income to the Council e.g., Housing Benefit overpayments, Council Tax arrears
  - Allows for more possibilities for shared working/services
  - Shorter and simplified application form (2-3 pages)

## **8.4 Consistency and Equitable**

The Government are moving more and more households over to Universal Credit. Calculations for Council Tax Support are different for those who receive Universal Credit than they are for those who do not. To ensure consistency with non-Universal Credit assessments the Council is proposing to introduce a banded scheme before the migration to Universal Credit is complete. The Council believes this will help to simplify the transition for those in receipt of such benefits.

## **9.0 Additional changes to the scheme**

- 9.1 As well as introducing the 'bands' as per appendix item B, we are also proposing some additional changes to assist in simplifying the scheme for our residents and maximise support where possible:
- Introduction of a 'protected' group to maximise support to those who need it most
  - Removal of the non-dependant deduction (£12 p/week)
  - Removal of the band D cap

- Removal of the £2.00 minimum entitlement
- Child Benefit to be disregarded
- Discretionary backdating allowing staff to backdate further than 1 calendar month to give additional support to those who need it most
- £25 per week earnings disregard for any working household
- Capital limit to remain at £6,000

## **10.0 Protected Group**

10.1 We are proposing a 'protected' group is introduced which allows those who are eligible to receive maximum support (80%). This group maximises the support for those who need it most.

10.2 To be classed as 'protected', a household member must receive at least one of the following:

- Employment Support Allowance Income Related
- Job Seekers Allowance Income Based
- Income Support
- Personal Independence Payments
- Disability Living Allowance
- Employment Support Allowance with Support Component or Work-Related Activity Component
- Armed Forces Independence Payments
- Working Tax Credit with disability element
- Severe Disablement Allowance
- Universal Credit with Limited Capability for Work element
- Universal Credit with Limited Capability for Work Related Activity element
- Constance Attendance Allowance
- War Pension Mobility Supplement
- Severe Disablement Pension
- Legally certified as blind

10.3 These customers will not be exempt from the £6,000 capital limit rule.

## **11.0 Transitional Protection for those worse-off**

11.1 We have introduced measures to try and minimise the number of customers who will either see a decrease in their entitlement when moving across to the new scheme, or not be entitled at all. However, inevitably, due to the nature of a 'banded' scheme there will be customers who will receive less support.

11.2 We are proposing any small savings that are made by changing to 'banded' scheme are re-invested back into the scheme to ensure those who need it most are supported.

11.3 For any customer who is not entitled to any support under the new scheme, we are proposing a one-off payment to be made directly towards their Council Tax. The amount will be equivalent to what they would have received in support based on the current scheme in place today. Our modelling estimates 6 households will not be entitled to any support under the new scheme, they will be supported with the one-off payment for 2024/25, totalling £5.9k in support.

11.4 Similarly, any customer who will be worse-off by £2.00 per week (£104 per year) or higher, following them transitioning across to the new scheme from 1 April 2024, will also

receive a one-off payment towards their Council Tax. The amount will be equivalent to what they would have received in support based on the current scheme in place today.

- 11.5 Our modelling estimates there are 144 households who will be worse-off by more than £2.00 per week. It will cost an estimated £43k to support these households for 2024/25.
- 11.6 This means the total cost for supporting the 150 households will be £49.7k. Any agreed transitional protection payments will be shared across the preceptors so Colchester will be liable for 11% of the cost (£5,500). It is important to note that this additional cost will not take the overall cost of the LCTS scheme above its budgeted £9.3m.
- 11.7 All 150 cases will be reviewed prior to changing scheme, this is to ensure the level of support is correct and any transitional protection payment is correctly administered.
- 11.8 Please see appendix item C for a detailed breakdown of the transitional protection.

## **12.0 Reviews**

- 12.1 By moving over to a 'banded' LCTS scheme, the emphasis is put back on the customer to notify us of any changes to their entitlement (band). Changes may include, but are not limited to:
- Income going up or down.
  - Someone moving in or out of the property.
  - Capital increasing.

A review process will be put in place to ensure a customer's 'band' is correct based on the information they have provided.

Checks will be carried out annually and, in most cases, will be against claims that are more likely to see a change in their circumstances e.g., self-employed, larger families, people with more than one employment.

Customers who are sampled for a review will be asked to re-confirm their circumstances and a new 'band' will be applied if necessary.

We anticipate we will be able to review at least 10% of our caseload in year 1, with this increasing in year two as processes become more efficient.

We are currently carrying out some research into penalties and fines for customers who we suspect have deliberately not told us about a positive change in the circumstances.

Unfortunately, we were not able to include this in this year's scheme as it's a larger piece of work surrounding Council Tax billing, and not just LCTS. However, it is something we are looking at for 2025/26. This would not only act as a deterrent, but also a way to generate additional income to the Council.

Overall, with this being a new scheme and a new way of working, we will constantly be reviewing processes and adjusting if necessary.

## **13.0 Other options – no changes to the scheme**

- 13.1 The scheme for 2024/25 could remain static which may give residents some certainty but will not help combat the problems faced with administering a 'means tested' LCTS scheme.

13.2 LCTS awards and Council Tax bills will continue to fluctuate month-by-month and the benefits of changing to a 'banded' scheme will not be seen.

#### **14.0 Equality, Diversity and Human Rights implications**

14.1 An EIA has been completed in line with the policy/change being proposed to the Local Council Tax Support scheme for 2024/25.

14.2 A link to the completed EIA can be found [here](#).

#### **15.0 Standard References**

15.1 There are no references to the community safety; health and safety or risk management implications.

#### **16.0 Strategic Plan References**

16.1 There are no references to the Strategic Plan, however, it is in line with cabinets new priorities regarding addressing the "cost of living" crisis.

#### **17.0 Consultation**

17.1 A change to the LCTS scheme for 2024/25 required a 6-week public consultation. The survey was published on our website, and we contacted a sample of our customers directly to ask them for their feedback on the proposed changes.

The full results can be found alongside this report (item D), but the key findings are as follows:

- 76.67% in favour of a banded LCTS scheme for 2024/25.
- 74.7% in favour of removal of non-dependant deductions .
- 81% in favour of disregarding certain elements of Universal Credit.
- 76.92% in favour of a flat-rate £25 per week earnings disregard.
- 86.84% in favour of amending the backdating regulation to allow us to go back further than 1 month.
- 84.21% in favour of disregarding Child Benefit and Child Maintenance.
- 93.42% in favour of continuing to disregard War Pensions in full.
- 82.89% in favour of capital limit remaining at £6,000.
- 81.33% in favour of introducing transitional protection to support those customers who may lose out.

#### **18.0 Publicity Considerations**

18.1 A communications plan would be key in publicising the proposed changes to the scheme for 2024/25. The CCC website and social media channels would be key methods of publicising the proposed changes.

We will also be working with third-party organisations, such as the Citizens Advice Bureau, Social Landlords, and charities to help publicise the changes and obtain feedback on the scheme.

The use of phone-line messaging and direct mailings would also play a key role in promoting the new scheme.



A comms plan is well underway and will be ready by January 2024.

## **19.0 Financial implications**

- 19.1 Changing to a 'banded' LCTS scheme will not increase the overall cost of the scheme (£9.31m).
- 19.2 Protecting those customers who will be worse-off by more than £2.00 per week, or those who will not qualify at all from 2024/25 under the new scheme, is estimated to cost around £49.7k.
- 19.3 The cost of the £49.7k protection will be shared amongst the preceptors so the true cost to CCC will be around £5,500 (11%). This will still bring the cost of the overall scheme in-line with the cost of the current scheme (£9.31m). We intend to invest any small potential savings back into the scheme to maximise awards where possible and assist those people who need it most.
- 19.4 Ultimately, the true cost of the overall scheme is unknown as when making any changes to the scheme, you potentially bring more people into entitlement who are not currently claiming. This can inflate the cost of the scheme if those people make an application.