

## Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Policy Development & Scrutiny Panel	
MEETING/ DECISION DATE:	19 <sup>th</sup> September 2023	EXECUTIVE FORWARD PLAN REFERENCE:  <b>N/A</b>
TITLE:	Local Council Tax Support Scheme review and proposed changes	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		

### 1 THE ISSUE

A review of the current Local Council Tax Support Scheme (LCTS) and proposed changes from April 2024.

### 2 RECOMMENDATION

The Panel is asked to note the findings of the report and to comment on options detailed in section 3.7 for proposed scheme changes to be put forward for public consultation.

**Option 1. The current rules of the scheme are retained.**

**Option 2. The current income thresholds and reduction rates are retained but the Housing and Childcare elements of Universal Credit are disregarded.**

**Option 3. The current income thresholds and reduction rates are changed as detailed in section 3.7, and the Housing and Childcare elements of Universal Credit are disregarded.**

**Option 4. The current income thresholds and reduction rates are changed as detailed in section 3.7, and the Housing and Childcare elements of Universal Credit are disregarded.**

### **3 THE REPORT**

#### **3.1 Background Information.**

Local Council Tax Support is a support scheme for low-income households to help with council tax charges. The council has operated its current scheme since 2017 and it comprises four different sets of rules to determine the level of support, depending on the household and personal circumstances of the applicant. The rules which apply to Pensioners are set out in statute and the council is limited in changes it can make for this group of residents. The council has more discretion in setting the scheme rules for working age residents, and can decide on the amount each applicant may receive depending on their household and financial circumstances.

#### **PENSIONERS**

This group of residents receive up to 100% support with their council tax liability and each applicant undergoes a means test where their household income is compared to set “applicable” amounts, and a taper of 20% is applied to their excess income, thereby calculating the level of support provided. There are no proposals to introduce changes for this group of residents.

#### **VULNERABLE**

This group of residents are of working age and receive up to 100% support. They are effectively treated as Pensioners and the same calculation rules apply. To qualify as vulnerable the applicant or their partner or dependants must receive certain disability benefits. There are no proposals to introduce changes for this group of residents.

#### **WORKING AGE OTHER**

This group of residents includes all working age residents who do not qualify for the vulnerable scheme. They can receive up to 78% support for their council tax liability, limited to a band D equivalent for the area in which they live. The calculation rules which apply to this group are broadly the same as with the Vulnerable and Pensioner groups. There are no proposals to introduce changes for this group of residents.

#### **UNIVERSAL CREDIT**

This group of residents includes any household where the applicant or their partner receives Universal Credit or would receive Universal Credit but for deductions applied to their entitlement for repayment of advance payments, debts, sanctions, or managed payments to landlords. Entitlement to support for this group is determined by where the applicant’s total income falls between certain ranges or income bands as shown below.

Basic weekly income allowance	Discount
£0.00 to £110.09	90%
£110.10 to £220.19	85%
£220.20 to £330.29	80%
£330.30 to £385.34	70%
£385.35 to £440.39	50%
£440.40	0%

The basic income allowance is increased by £25 per week where the applicant has a partner and £50 per week for each child, subject to a maximum increase for two children. It is important to note that for this group, all of the applicant's Universal Credit income is taken into account, including their Housing Costs Element (which is predominantly related to rental costs) and their Childcare Element. The proposals which the panel are asked to consider, which will be put forwards for public consultation relate to this group of residents.

3.2 The council has operated its current LCTS scheme since 2017, following the introduction of Universal Credit Full Service in the area. The income bands were set at intervals of £100, from £100 to £400, but this was increased from April 2023 in line with other social security benefit rates. The income banded approach was taken to mitigate the effect of frequent changes in income which are common to Universal Credit recipients. Under the previous LCTS rules each monthly change to Universal Credit would mean a new bill was generated, which was undesirable for residents and the council. When the income banded scheme was introduced the council decided to use all of the applicant's income for the purpose of the entitlement calculation. This approach was taken on the grounds that it created a simpler framework which would be easy for residents to understand and accept, and it promoted financial accountability for households in line with the underlying concept of Universal Credit, that households would receive one overall payment of social assistance and would manage their household finances from this budget.

### 3.3 The case for change.

Officers have conducted a review into the current scheme as it applies to Universal Credit recipients. Sample checks were carried out on 650 cases to determine the effectiveness of the current scheme, with a focus on claimants who receive the Housing Cost Element and Childcare Element of Universal Credit. A summary of the findings is as follows.

- **There are a significant proportion of claimants in council tax arrears across the range of income bands.**

Discount amount	Percentage with arrears
90%	23
85%	33
80%	29
70%	27
50%	49

- **The average amount of arrears is higher for applicants who receive less support.**

Discount amount	Average amount of arrears
90%	£394
85%	£574
80%	£427
70%	£756
50%	£882

- **If the amount of arrears were extrapolated across the caseload it would account for £812K of current council tax arrears**

- **34% of sampled claimants who receive the Housing Cost Element have approached the council's Welfare Support Team for assistance. Some households had sought assistance multiple times.**
- **5% had received a Discretionary Housing Payment**
- **Of the claimants who receive the Housing Costs Element, those who fell into the 50% band received a higher amount of support for their rental costs.**
- **28% of claimants who received the Childcare Element had approached the council's Welfare Support Team for assistance (100% of known cases were tested).**
- **97% of LCTS claimants who receive the Childcare Element are single parents.**
- **97% of claimants who qualify for the most support do not receive the housing costs element because they own their home.**

The work carried out as part of the review suggests that many residents who receive Universal Credit and LCTS are struggling to keep up to date with their council tax, and this will in turn generate more collection costs for the council. Many households who receive the Housing Costs Element of Universal Credit have also sought help from the council's Welfare Support Team, which supports families in Financial Crisis

If the findings of the sample checks were extrapolated across the applicable LCTS caseload this would account for an additional 1323 accounts, requiring contact with under pressure council tax and recovery teams.

- 3.4 By counting the Housing Cost Element as income, the council has become an outlier amongst peer local authorities. According to Entitled To's *Review of Council Tax Reduction schemes in 2023/24*, there are 90 income banded LCTS schemes in operation in England, and of these 61 disregard the Housing costs element, and 15 disregard the Childcare element.
- 3.5 38 councils surveyed by Entitled To operate an income banded scheme which offers a 100% reduction in certain circumstances, mainly to resident's whose income is set below a figure of £85-£95 per week. These income thresholds are largely based on the Standard Allowance of Universal Credit.
- 3.6 Since the introduction of the scheme feedback from staff, residents and Welfare Rights organisations has identified that using the Housing Costs Element and Childcare Element in the assessment of the claimant's income has negative effects on LCTS recipients. The Housing Costs Element is intended to be primarily used to pay rent, which is considered by Welfare Rights organisations, including Citizens Advice as a priority debt. By counting this as income for LCTS purposes this implies that residents should use that income to pay their council tax. This has potentially negative consequences for residents who may fall into arrears with their rent and could eventually be at risk of losing their homes. It also sends the wrong message to residents that there are situations where it is acceptable not to pay their rent.
- 3.7 The Childcare Element of Universal Credit is intended to partially reimburse residents who have had to pay childcare costs upfront in order to enable them to work. Counting this as income contradicts the policy intention of central government of helping parents return to work more easily through changes to the

Universal Credit childcare cap and upfront payments announced in the 2023 Budget statement.

- 3.8 The council has received some feedback from staff and customers that the reduction amounts are arranged in a way which is not linear. Residents whose weekly income increases from the £385.35 - £440.39 bracket to over £440.39 will see a drop in support from 50% to nil. This can create a significant disincentive for residents to increase their income over this level and can cause immediate financial difficulties for households whose income may have only increased by a small amount, but enough to push them over the income threshold where they lose all support.
- 3.9 Many councils have introduced an income band which attracts a 100% reduction. This is partly because of the difficulties involved in trying to collect council tax from households who do not have the means to pay. The introduction of Universal Credit has affected council tax recovery because the rules which apply to attachment to benefits, which would previously have been employed as a mechanism for recovering outstanding council tax now prioritise the recovery of other debts such as rent arrears and advance payments of Universal Credit over council tax. This means that in some cases the council has little option but to refer the debt to enforcement agents. This can happen where the debts owed are comparatively small but may increase substantially when additional recovery and enforcement fees are added.

### 3.7 Scheme Options

Options for possible changes to the income-banded scheme have been modelled by Officers, which include measures to mitigate some of the issues associated with the current scheme and align the rules with other council's income-banded schemes. The priority is to make the scheme fairer, and to recognise that some residents have other living costs which are of equal priority to their council tax liabilities. The possible changes which could be introduced include the following.

- **A disregard of the Housing Cost Element and Childcare Element of Universal Credit.**
- **The introduction of a discount band for the poorest which would provide a 100% reduction in council tax liability.**
- **Setting the lowest income threshold at a level which is relative to the standard allowance of Universal Credit**
- **The re-alignment of reduction amounts to ensure that these reduce more smoothly as income increases.**

The costs of implementing these changes would largely be met through realigning the amount of support provided to other claimants through the income banded scheme.

#### **Option 1. Do nothing.**

The council does not have to implement any of these changes and may decide to stick with the current scheme. There are risks involved in making alterations to the council tax support scheme. Officers have carefully modelled the financial impacts of making changes to the current rules, but these are an estimate based on the current caseload. Eligibility to LCTS will change as claimant's circumstances change, and there is an inherent uncertainty in determining rules which will apply prospectively more than a year

in advance. Nonetheless, the fieldwork which officers carried out and comparisons with other council schemes suggests that there are issues with the current scheme. Universal Credit Managed Migration is due to increase in scope from 2024 and more households in B&NES will start to receive this benefit and fall into the income-band scheme.

## Option 2.

The Housing Costs and Childcare Elements of Universal Credit are disregarded, and the current income bands and discount amounts are retained. Note that where an applicant has a partner as a member of their household that the weekly income bands are increased by £25, and by £50 per child, subject to a 2-child maximum.

Single person			Couple		
Income From	Income To	Discount	Income From	Income To	Discount
0	110.09	90%	0	135.09	90%
110.1	220.19	85%	135.1	245.19	85%
220.2	330.29	80%	245.2	355.29	80%
330.3	385.34	70%	355.3	410.34	70%
385.35	440.39	50%	410.35	465.39	50%
440.4		0%	465.4		0%

**This is estimated to cost an additional £1.04M**

Due to the additional costs, which would be an additional budget requirement to be funded by the collection of council tax, this option may be unfeasible.

## Option 3.

The Housing Cost and Childcare Elements of Universal Credit are disregarded as income, the discount percentage amounts are altered to include a band where a 100% reduction applies, and the income thresholds are altered to start at a rate for a single person and couple rate which is set at the same amount as the Universal Credit Standard Allowance of £368.74 or £578.82 per month respectively.

Single person			Couple		
Income From	Income To	Discount	Income From	Income To	Discount
0	85.09	100%	0	133.57	100%
85.1	185.09	80%	133.58	233.57	80%
185.1	285.09	60%	233.58	333.57	60%
285.1	335.09	40%	333.58	383.57	40%
335.1	385.09	20%	383.58	433.57	20%
385.1		0%	433.58		0%

**This is estimated to cost an additional £130,986.00.**

Although there would be an additional cost with this option, which would be a budget requirement and factored into the setting of the council tax base, the majority of the

scheme costs would be met through adjusting the discount percentage amounts. Support would be reduced for some households and increased for others.

The income bands for this option are arranged in thresholds of £100 per week, as was the case with the current scheme when it was introduced in 2017. This will continue to prevent situations where frequent changes in claimant income would mean a change in entitlement which would require a new bill to be issued. The reduction in discount amounts is also more linear with this option and would mean a fairer distribution of the amount of support provided to residents across the range of income thresholds.

#### Option 4.

This option is exactly the same as option 3, however the proposed percentage reduction in the second income band would be set at 85% instead of 80%.

Single person			Couple		
Income From	Income To	Discount	Income From	Income To	Discount
0	85.09	100%	0	133.57	100%
85.1	185.09	80%	133.58	233.57	85%
185.1	285.09	60%	233.58	333.57	60%
285.1	335.09	40%	333.58	383.57	40%
335.1	385.09	20%	383.58	433.57	20%
385.1		0%	433.58		0%

**This is estimated to cost an additional £224,251.00.**

In both options 3 and 4 the weekly income bands are increased by £50 per child, subject to a 2-child maximum.

The key difference between options 3 and 4 are the number of residents who will be positively or negatively impacted by the changes.

- 3.8 Changes to the scheme under options 3 and 4 will mean that some applicants lose out on the level of support which they currently receive. The following table shows the outcomes for residents compared to the level of support they receive under the current scheme.

Outcome	Option 3	Option 4
Households who will receive less entitlement	1581	1264
Households who will see no change	991	367
Households who will receive more entitlement	1681	2622
Households who currently do not qualify but will under the proposed scheme changes	511	511

Although option 4 would mean that there are significantly more residents who would not be negatively impacted by these changes, there would still be a significant number of residents who would have to pay more council tax as a result of these changes. These residents primarily fall into the 50% band of the current scheme and will instead fall into the 40 or 20% band. In addition, there are estimated to be 68 residents who will lose all entitlement to Council Tax Support under the new rules.

Households who cannot afford to pay their increased liabilities will be signposted to the Welfare Support Team, where they can apply for discretionary financial support for their council tax, along with additional support provided by the team, including help with household bills, food and clothing and furniture and white goods.

- 3.9 The council is required by legislation to carry out a public consultation when making any changes to the existing Council Tax Support scheme. This will be done over a period of 5-6 weeks commencing the end of September. The consultation will seek to gather views from the public on its preferred option for changes to the scheme from 1<sup>st</sup> April 2024. This will include writing to the claimants affected and setting out the possible changes to their award under the proposed changes.
- 3.10 The Panel is asked to comment on the options proposed in this report for the responsible cabinet member to decide which option should be put forward for public consultation. To assist the Panel in understanding the implications of the proposed changes, Case studies have been developed which show how the impacts would be felt on a number of real-life cases. This, together with a comparison of income banded schemes from neighbouring councils is shown in the appendix to this report.

## **4 STATUTORY CONSIDERATIONS**

The primary legislation which covers LCTS schemes is S13 A (1) (a) of the Local Government Finance Act 1992.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

Local Council Tax Support is funded through an adjustment to the council tax base which is used to set the council tax. The budgeted amount for 2023/24 is **£10,258,961**. Full Council would need make the final decision on whether any changes are made to the LCTS Scheme for 2024/25 at its meeting in November, taking into account the consultation. The financial impact of any changes would be included in the Council Tax base and Council Tax income calculations for the 2024/25 Budget.

Although the increased amount of support provided to residents in options 3 and 4 will coincide with reductions in support for other claimants, the net cost of these changes is estimated to be an additional **£130,986** for option 3 and **£224,251** for option 4. It must be understood by the panel that the cost of the LCTS scheme changes over time, as the circumstances and entitlement of claimants change, so the estimated costs of the proposed changes have been calculated based on a snapshot of the existing caseload as of a particular date, in this case on 18<sup>th</sup> August 2023. It is not possible to accurately predict the future entitlement of residents beyond this limit, however this method is employed by councils every year when the council tax base is determined.

There will also be additional administrative costs to the council of around **£4,000**, which will cover software changes, consultancy fees and consultation costs.

## **6 RISK MANAGEMENT**

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. In this case, the main risk is that the panel comment on proposed options without having full knowledge of the implications of proposed changes. This will be mitigated through the content of this report, and commitment of the report author to guide members through the different options and to answer any questions arising. A meeting has already been undertaken with members of the panel to give an overview of the issues to be considered.



## 7 EQUALITIES

At this point an Equalities Impact Assessment has not been carried out because the proposed option for public consultation has not been decided. Once this is known, a full impact assessment will be carried out, including scrutiny of cases where current claimants will receive less support.

## 8 CLIMATE CHANGE

This issue does not impact on climate change/carbon neutrality.

## 9 OTHER OPTIONS CONSIDERED

None. The panel is asked to comment on options for proposed changes, however one option will be to retain the current rules of the scheme. This will be a decision in its own right.

## 10 CONSULTATION

S151 Officer, Citizens Advice Bath and North East Somerset Council, Staff.

<b>Contact person</b>	Damian Peak 01225 396613
<b>Background papers</b>	<ul style="list-style-type: none"><li>- Review of Council Tax Reduction schemes in 2023/24 – Entitled To.</li><li>- Appendix – Case studies and scheme comparison.</li></ul>
<b>Please contact the report author if you need to access this report in an alternative format</b>	