

Surrey Heath Borough Council

Executive

15 February 2022

Review of the Local Council Tax Support Scheme

Portfolio Holder:	Cllr Robin Perry – Finance Portfolio Holder
Strategic Director/Head of Service	Bob Watson – Strategic Director of Finance & Customer Services
Report Author:	Robert Fox – Revenues & Benefits Manager
Key Decision:	Yes
Wards Affected:	All

Summary and purpose

The Executive is asked to consider changes to the Local Council Tax Support Scheme introduced from 1 April 2013 in respect of working-age residents.

None of the options listed below will affect anyone of pensionable age, who are awarded Council Tax Support based on national eligibility criteria, in general this is more generous than the Surrey Heath working age scheme.

The proposed scheme was subject to a consultation between 01 December 2021 and 31 December 2021.

Recommendation

The Executive is advised to RECOMMEND to Full Council that

- (i) The revised Local Council Tax Support Scheme, as set out at Annex A to the report, replace the existing Local Council Tax Support Scheme from 1 April 2022;
- (ii) Transitional protection for those impacted by more than a £5 per week reduction in support in payments of council tax due to the introduction of the revised scheme from 1 April 2022; and
- (iii) Transitional protection from the new capital limit for those current vulnerable group claimants with over £6000 but less than £16,001 capital for the period 1 April 2022 to 30 September 2022.

1. Background and Key Issues

- 1.1 In 2013 the government abolished Council Tax Benefit and asked local councils to introduce their own scheme for working age residents who need help paying their Council Tax. This became known as Local Council Tax Support.
- 1.2 Since April 2013 Surrey Heath have had a Local Council Tax Support Scheme (LCTSS) for working age residents and the cost of the scheme is borne by the other council tax payers in the borough.
- 1.3 Each year the council tax base is set. The setting of the tax base determines the equivalent number of Band D properties in the borough. This number is then used to calculate the average Band D council tax charge needed to raise the income identified as needed to provide our services.
- 1.4 In 2021/22 number of identified band D equivalent properties was reduced by 989 in respect of working age residents in receipt of Local Council Tax Support.
- 1.5 The 989 is based on £1,806,462 being awarded in Local Council Tax Support as of 5 October 2020.
- 1.6 The current cost of the working age scheme in 2021/22 is £1,823,767 and the pension age scheme £1,458,781 total £3,282,548.
- 1.7 On 9 September 2021 two alternative models were presented to the Community Support Member Working Group and officers were given the following recommendations to apply to the proposed revised model 1
 - a 12 month transition period to protect those who would be financially worse off as a result of a revised scheme
 - all households paying a proportion of their Council Tax cost
 - maximum relief scaled back to a Band D level for the purposes of the scheme
 - the provision of additional support to those from protected groups
 - maximum relief in Band 1 to be increased from 90% to 95%
 - Ensuring those who work are not disadvantaged in the proposed scheme
- 1.8 An updated revised model to reflect the suggested amendments was presented to the Community Support working Group on 18 October 2021.
- 1.9 The Community Support Working Group carefully considered the amendments and agreed the following principals for the revised scheme to be recommended for adoption from 1 April 2022
 - Limit the maximum increase in Council Tax payable after LCTSS awarded in 2022/23 to £5.00

- Reduction in entitlement due to the proposed change in capital limit to be included in the £5.00 maximum increase transitional scheme for 2022/23
 - Band D to be the maximum band for assessment of LCTSS
 - 95% to be the maximum award of LCTSS from 1 April 2022
 - To review the adopted LCTSS in October 2022
- 1.10 At its meeting on 16 November 2021, the Executive reviewed the Scheme recommended by the Working Group and agreed to conduct a consultation on the proposed new scheme. This consultation was undertaken between 01 December 2021 and 31 December 2021.
- 1.11 There were 14 public responses. The response from the two major preceptors is to follow. All the comments made by the public responders are included at Annex A.
- 1.12 A summary of the responses and comments made is attached at Annex C. No material changes to the Scheme are proposed following the public consultation.
- 1.13 Overall the public responses were supportive of the suggested changes. The only area where the responses indicated no preference was on the amendment to the capital limit to £6000 where the responses agreeing and disagreeing were equal in number. As can be seen in Annex C one disagreeing response was concerned for pensioners with modest savings. The amended LCTSS proposed capital limit only applies to claimants of working age.

2. Supporting Information

- 2.1 The proposed revised scheme has been modelled to try to predict the impact on the borough's current working age claimants and any changes to the cost of scheme.
- 2.2 The current working age caseload has 1,415 claims in receipt of some help towards their council tax of which, 80% or 1,137 claims would fall into Band 1 in the proposed scheme.
- 2.3 The 1,137 claims fall into one of two categories in the current LCTSS with 712 in our vulnerable group category and as such eligible for up to 100% of their council tax to be met from the LCTSS. Non-vulnerable claims have the maximum help towards their council tax liability capped at 70%.
- 2.4 Our vulnerable category is based on the claimant or partner being in receipt of specified disability benefits rather than a focus on financial vulnerability.
- 2.5 The increase of the maximum eligible percentage from 70% to 95% for the non-vulnerable group will make a positive financial effect on the disposable income these claimants who fall in to Band 1.

- 2.6 Model 3 scheme would continue to apply the current income disregard for specified disability benefits and child benefit.
- 2.7 Of those currently receiving 70% maximum award 501 households would gain more than £5 per week.
- 2.8 The reduction from 100% maximum help to 95% maximum help is an average weekly amount of £1.45 for the 751 claims in this category. Highest weekly sum £3.31 lowest £0.27.
- 2.9 It is estimated that 121 households would lose more than £5 per week. The cost to protect these claimants fully would be in the region of £32,000.
- 2.10 There are 22 claims with capital over £6000 in the vulnerable group that would lose their entitlement as currently they have a £16,000 capital limit. The maximum capital claim has £15,639, with 11 other claims holding over £10,000.
- 2.11 Transitional protection to cushion the financial impact of the LCTSS change in 2022/23 to a maximum of £5 per week could be offered to both groups for 2022/23.
- 2.12 The cost of cushioning the financial impact to those current claimants with over £6000 to a £5 per week increase would be £29,213 for 2022/23.
- 2.13 During 2020/21 we made 15819 changes to Local Council Tax Support entitlement and each of those changes could trigger a revised bill being issued. To date in 2021/22 we have made 5009 changes to entitlement.
- 2.14 From October 2020 to date we have issued 26,282 revised council tax bills.
- 2.15 The recommended LCTSS will reduce the need to issue revised council tax bills as the income bands will result in some minor changes in income not resulting in a change to entitlement.
- 2.16 Of the £80,920,316 net debit of council tax to be collected in 2021/22, £1,464,828 is from residents in receipt of some form of council tax support, working age or pension age and the fewer changes to their entitlement will assist in the smoother collection of the debt due.
- 2.17 Any scheme design has a wide-ranging set of competing and sometimes, conflicting objectives that need to be considered. These can be listed as (in no particular order):
- National welfare benefits
 - Council budget capacity
 - Council tax collection rates
 - Economy
 - Demographics
 - Caseload
 - Council objectives

- Other Council comparisons

- 2.18 The report prepared by Policy in Practice addresses issues regarding impact on our caseload and the cost of the schemes.
- 2.19 Covid 19 has had an impact on the amount of Local Council Tax Support awarded. The award for 2020/21 to working age claimants increased by £200,960 compared to expenditure 2019/20. Allowing for the 3.77% increase in the council tax that represents a £136,686 increase. We also had an increase in the caseload for the first time in 3 years.
- 2.20 The Coronavirus Retention Scheme (furlough) is ended 30 September 2021 and the impact on caseload numbers or level of awards is not able to be predicted.
- 2.21 The increase in the maximum award percentage suggested in both schemes for those on the lowest income would help to meet the annual plan goal to support those in our community living in poverty

3. Reasons for Recommendation

- 3.1 The proposed banded income LCTSS will ensure that the changes to the Welfare Benefit system following the introduction of Universal Credit are better catered for helping to ensure the limited funds available to Surrey Heath Borough Council are maximised to offer support.
- 3.2 The proposed banded income LCTSS simplifies the calculation of support making the scheme more efficient to administrate and simpler to understand which will encourage take up.

4. Proposal and Alternative Options

- 4.1 It is proposed that a banded LCTSS scheme be introduced from 1 April 2022, together with the one year of transitional protection for any current claimant that has an increase of more than £5 per week in council tax payable from 2021/22 to 2022/23.
- 4.2 Transitional protection for those impacted by more than a £5 per week reduction in support in payments of council tax due to the introduction of the revised scheme from 1 April 2022.
- 4.3 Transitional protection from the new capital limit for those current vulnerable group claimants with over £6000 but less than £16,001 capital for the period 1 April 2022 to 30 September 2022.
- 4.4 Annex 1 sets out a broad outline of the treatment of income and capital in the revised LCTSS together with the income bands and suggested income thresholds.

- 4.5 The disregard of all Universal Credit income assists in the aim of the new scheme to “make employment pay”.
- 4.6 The calculation of weekly income of self-employed claimants can present challenges and members may want to give consideration to introducing Minimum Income Floor to apply to self-employed income after one year of trading.
- 4.7 Minimum Income Floor will be applied where after one year of trading the income from self-employment is less than the appropriate National Minimum Wage for the number of hours the claimant or partner is deemed to be working as self-employed.
- 4.8 Backdating to be limited to one month and assessed on whether the claimant can show good cause for backdating to be applied.
- 4.9 Alternatively, the Council can choose to retain the existing Local Council Tax Support Scheme for 2022/23.

5. Contribution to the Council’s Five Year Strategy

- 5.1 This supports the corporate objective of ‘**Health & Quality of Life**’ in the recently agreed Five Year Strategy 2022 – 27 and the Annual Plan 2021/22 target - SHBC2 - POVERTY – ‘work with partners to support those living in poverty in the Community’. This review addresses target FIN5 in the 2021/22 Annual Plan - “To review and update the Council Tax Support Scheme arrangements.”

6. Resource Implications

- 6.1 There is a need to purchase 3 additional software licences from our supplier at a cost of £900, £2,500 and £4,000 respectively for the perpetual licences.. This cost has been met from the current budget.
- 6.2 No additional staffing requirement will result from the LCTSS change as the proposed scheme will be more efficient to administrate.
- 6.3 The proposed scheme will reduce the number of notification letters and revised council tax bills needing to be issued and will generate a small, but as yet, unquantifiable saving in postage charges

7. Section 151 Officer Comments:

- 7.1 This scheme is a charge against the collection fund and not against the revenue budget of the Council, apart from the costs identified above, which can be met from current budgets. The Council is obliged to offer a scheme and failure to implement this scheme will result in the current scheme remaining extant.

8. Legal and Governance Issues

- 8.1 Any proposed new Local Council Tax Support Scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority.
- 8.2 Before making a scheme, the authority must (in the following order): -
- (a) consult any major precepting authority which has power to issue a precept to it;
 - (b) publish a draft scheme in such a manner as it thinks fit; and
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 8.3 The Council's major precepting authorities are Surrey County Council and Surrey Police and Crime Commissioner.
- 8.4 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council had also decided in 2013 to keep the schemes allowances and premiums in line with those for Housing Benefit for working age claimants. Each year any small amendments and the uprating of allowances and premiums are incorporated in our scheme regulations.

9. Monitoring Officer Comments:

- 9.1 No specific matters arising.

10. Other Considerations and Impacts

Environment and Climate Change

- 10.1 Not applicable.

Equalities and Human Rights

- 10.2 An Equalities Impact Assessment was undertaken and did not identify any adverse effects to those with protected characteristics.

Risk Management

- 10.3 The Council, along with the other preceptors, bears the risk of the cost of the Council Tax Support scheme should caseload increase result in an increase in costs of more than predicted.

- 10.4 Any revisions to the scheme must be approved by 1 March 2022.
- 10.5 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

Community Engagement

- 10.6 A consultation was undertaken for the period 1 December 2021 to 31 December 2021.
- 10.7 Citizens Advice Surrey Heath have been approached for a formal response to the proposed scheme

Annexes

Annex A - Broad model scheme outline

Annex B - Examples current to proposed scheme

Annex C – Summary of public consultation

Annex D- Policy in Practice – Localised Council Tax Support – Modelling options – October 2021

Background Papers

None

Recommended LCTSS scheme broad outline

Band	No children	1 Child	2 Child	Max award	Predicted Households
1	Passported Households			95%	1,137
2	£0 -59.99	£0 - 129.99	£0 -199.99	80%	145
3	£60 – 129.99	£130 -199.99	£200 – 269.99	60%	73
4	£130 – 199.99	£200 – 269.99	£270 – 339.99	40%	24
5	Income or savings above maximum			0%	36

Passported Households

To qualify as a passported household the claimant and / or partner they must be in receipt of:

- Income Support
- Job Seekers Allowance (Income Based)
- Employment Support Allowance (Income Related)
- Universal Credit and not working

Income to be taken into account for the bands

- Net average earnings from employment
- Rental income
- Private / occupational pensions
- Partner maintenance
- Maternity allowance
- Statutory Sick pay
- Job Seekers Allowance (contribution based)
- Employment and Support Allowance (contribution based)
- Industrial Injuries
- Widowed Parent's Allowance

Income to be disregarded

- Bereavement Support Payment
- Child Benefit
- Child maintenance
- Disability Living Allowance
- Housing Benefit
- Personal Independence Payments
- Carer's Allowance
- Employment Support Allowance (Support component)
- Universal Credit (earnings only taken in to account)
- War Pension
- Flat rate £20 per week from net earnings

Capital Limit

- Upper capital limit £6000 or above
- Capital under £6000 fully disregarded

Other adults in the household

Flat rate deduction in respect of any other adults in the household in addition to the claimant and / or partner of:

- £5 per week not working
- £10 per week in work

Worked examples

Passported

Single claimant

Current scheme	70% max	
Universal Credit	£79.38	
LCTSS award	£13.94	Band A
	£16.26	Band B
	£18.59	Band C
	£20.91	Band D
	£20.91	Band E to H

Model 3	95% max	
Universal Credit	£79.38	
LCTSS award	£18.92	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Married Couple

Current Scheme	70% max	
Universal Credit	£137.67	
LCTSS award	£18.59	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Model 3	95% max	
Universal Credit	£137.67	
LCTSS award	£25.22	Band A
	£29.43	Band B
	£33.63	Band C
	£37.83	Band D
	£37.83	Band E to H

Vulnerable Group**Married couple 2 non dependants**

Current:	100% max	
Income	£869.40	
Disregarded income	£475.27	War Pension, PIP
HB disregarded	£75.96	
Taken in to account	£318.17	
Weekly LCTSS award	£17.62	

Model 3	95% max	
Income	£869.40	
Disregarded income	£542.87	War Pension, PIP, Carer's Allowance
HB disregarded	£75.96	
Taken in to account	£250.57	
Weekly LCTSS award	£0.00	

Single claimant

Current	100% max	
Income	£217.14	
Disregarded income	£132.55	PIP
Taken in to account	£94.59	
Weekly LCTSS award	£23.17 (100%)	

Model 3	95% max	
Income	£217.14 including a Passported income	
Weekly LCTSS award	£22.01	

Annex B Employed

Employed single claimant

Current:	70% max	
Income	£113.61	
Disregarded income	£5.00	
HB Disregard	£150.56	
Taken in to account	£108.61	
Weekly LCTSS award	£14.46	
Model 3	95% max	
Income	£113.61	
Disregarded income	£20.00	
HB Disregard	£150.56	
Taken in to account	£93.61	
Weekly LCTSS award	£16.99	80%

Employed lone Parent one child

Current	70% max	
Income	£293.59	
Disregarded income	£134.74	
HB disregarded	£107.25	
Taken in to account	£158.85	
Weekly LCTSS award	£15.42	
Model 3	95% max	
Income	£293.59	
Disregarded income	£117.64	
HB disregarded	£107.25	
Taken in to account	£175.95	
Weekly LCTSS award	£11.12	60%

Employed lone parent two children

Current	70% max	
Income	£384.96	
Disregarded income	£77.25	
HB disregarded	£80.71	
Taken in to account	£307.71	
Weekly LCTSS award	£5.22	
Model 3	95% max	
Income	£384.96	
Disregarded income	£55.15	
HB disregarded	£80.71	
Taken in to account	£329.81	
Weekly LCTSS award	£8.24	40%

Annex C

Summary of public consultation

Q1. Change to the maximum council tax liability available for support

Two existing percentage rates of 70% maximum and 100% maximum to be replaced with a single rate of 95%.

The maximum percentage of 70% means that even if a claimant qualifies for maximum help towards their council tax charge, they have to pay 30% e.g. a council tax charge of £1000 per year leaves £300 per year still to pay. The new single rate maximum of 95% would mean that 5% of the total council tax costs would need to be paid once the maximum support has been applied.

64% agree with the proposed change

Comments

Comment 1

I really do not think you understand the benefits system.

A person in receipt of the higher allowance of pip for daily living and mobility receives approx. £600 every weeks and also they could receive ESA depending on age could be £400 fortnightly, along with housing benefit. If you total this their disposable income is like somebody's salary.

Contrast the above with a single adult on UC. Do you actually know how much UC is when you are not employed? It is £324.00 per calendar month. Not every four weeks as above. Your expected people to pay approx.. a third of the £324.00 in council tax.

It saddens me to see that the council hit those hard who had the lowest income.

Comment 2

Why should the person in receipt of the 100 % benefit of council tax only have to pay 5% as proposed when you are still going to hit those hardest on the lowest income.

2 people in the household who are unemployed and on PIP the other on UC and ESA pays council tax yet of they lived alone they would pay nothing.

Comment 3

I thought councils had no money. Who will pay for this? Don't tell me my bill is now going to exceed £3,000 a year so that others can get it for nothing! Guess I'll have to start working 62 hrs a week instead of 60 if that is the case. What a joke.

If someone on the low rate benefits it would be impossible to find 5% of council tax this extra pressure on their finances could mean they go without any food and/or heating making vulnerable people much worse off

Q2. Change to capital limit:

Two existing upper capital limits of £6,000 and £16,000, to be replaced with a single rate of £6,000.

The upper capital limit means if a claimant has savings of more than £6,000, regardless of their weekly income they would not qualify for help towards their council tax costs.

50% agree and 50% disagree

Comments

Comment 1

Why should people who have a small amount of savings be penalised because they have found themselves unemployed?

Comment 2

This prevents people trying to save for deposits etc. to allow progression.

Comment 3

Certain pensioners have a very low monthly income, where savings are required to support them and prop up their monthly income.

Comment 4

I understand that it would be annoying if someone of working age has saved then find themselves dipping into savings to pay bills however I think it is justified as their savings does not put them into a vulnerable category.

Q3. Change to other adult resident deductions (non-dependant deductions)

Four existing weekly deduction rates replaced with two rates - one for employed and one for other non-working adults in the household.

When a claimant has other adults in the household, like grown up children or parents, the amount of help they can receive is reduced in respect of each person. The current maximum weekly deduction is £12.45 and this would be replaced with a £10 weekly deduction.

64% agree with the proposed change

Comments

Comment 1

Two people in the household one on PIP and ESA the other ESA and UC.

I'd either lived alone they wouldn't be liable for council tax. Penalised for living in the same household.

Has it ever occurred that some people need support and have to live with somebody?

Comment 2

Preventing progression/ saving.

Comment 3

I feel this is fair as grown up children or parents are not always contributing to the household budget

Q4. Changes to earnings disregards

The four existing weekly disregards to be replaced with a flat rate of £20.

When a claimant has earned income we currently make a deduction from their net pay before we take the earnings in to account. The amount deducted ranges from £5 per week for single people to £25 for families. This will be changed to £20 per week for all claimants.

71% agree with the proposed change

Comments

Comment 1

I would like to know what you mean by families? Why should people subsidize people with kids?

Comment 2

Why are you not considering a more moderate amount if flat rate.