

# Local Council Tax Support Scheme (LCTS)

## Permission to Consult

Cabinet Member for Finance and Commissioning

Date: 05 July 2022  
Agenda Item: 4  
Contact Officer: Steve Woods  
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Key Decision? YES  
Local Ward Members: All Wards



**Cabinet**

## 1. Executive Summary

- 1.1. The purpose of this report is to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's LCTS Scheme that will become operational with effect from 1<sup>st</sup> April 2023.
- 1.2. Each year the Council is legally required to review its LCTS Scheme to either maintain the scheme or replace it.
- 1.3. LCTS was introduced from 1 April 2013 when it replaced the Central Government funded Council Tax Benefit regime. From its inception, the funding available to the Council from government has reduced year on year and our scheme has remained broadly the same since it was introduced.
- 1.4. As with the majority of authorities within England, we need to make changes to the LCTS scheme for working age applicants (the scheme for pension age applicants is prescribed by Central Government) in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.
- 1.5. The timetable for consideration of the various elements of the LCTS review are summarised below:

Date	Meeting	Topics
05/04/2022	Cabinet	Agreement and selection of preferred option and approach
		Development of scheme documentation, initial equality impact assessment, exceptional hardship modelling & modelling to establish discount level
<b>05/07/2022</b>	<b>Cabinet</b>	<b>Approval to consult</b>
15/09/2022	Overview and Scrutiny Committee	Communication to Overview and Scrutiny Committee (Provisional)
04/10/2022	Cabinet	Update Report
		Agreement of changes to administration and implementation of changes to software requirements and Staff instruction/training
06/12/2022	Cabinet	Update Report
19/01/2023	Overview and Scrutiny Committee	Communication to Overview and Scrutiny Committee (Provisional)
14/02/2023	Cabinet	Recommendation of New Scheme to Council
28/02/2023	Council	Council Approval of New Scheme
01/04/2023		Commencement of New Scheme

- 1.6. This report requests permission to consult on changes required to the scheme and makes a recommendation to members for the 2023/24 scheme.

- 1.7. This Council collects Council Tax on behalf of Staffordshire County Council, Staffordshire Commissioner – Police and Crime, Staffordshire Commissioner – Fire and Rescue and Parish Councils. However despite collecting c£80m of income each year, we only retain **less than 10%** of the Council Tax paid.
- 1.8. Our existing scheme (Current cost **£4,986,000**) requires the ‘non-vulnerable’ working age LCTS applicants to make a minimum 20% contribution to their Council Tax liability and for their weekly entitlement to be capped at band D Council Tax. A key outcome is to devise a new scheme that will be more directly focused on ‘ability to pay’ and include an exceptional hardship scheme to better support those experiencing hardship.
- 1.9. We have examined our existing scheme and looked at alternative schemes that will deliver a simplified scheme for the resident and simplified administration for Lichfield DC. Using the Northgate (NEC) modelling tool, we have considered slight changes to the existing system as well as considering the introduction of an income-banded scheme that is favoured in a growing number of English Local Authorities.
- 1.10. The proposed income banded LCTS scheme includes multipliers, making it easier for applicants to understand their likely entitlement, which ranges from 25%, 50%, 75% and 100% of their Council Tax liability. If the scheme is introduced with widened bandwidths (Recommend £40), it will cost less as there will be less bills produced and will reduce resident contact.
- 1.11. This report favours the introduction of an income banded LCTS scheme for the working age as it is easier to understand and administer and will help to reduce perpetual debt as it will be better focused on ‘ability to pay’.

## 2. Recommendations

- 2.1 Cabinet approve the introduction of a banded LCTS scheme (**APPENDIX A – option 5 is favoured**).
- 2.2 Cabinet approve the commencement of a consultation with the public and Major Precepting Authorities about the introduction of the new banded LCTS scheme, including exceptional hardship scheme for working age applicants with effect from 1 April 2023.

## 3. Background

- 3.1 Our current LCTS scheme is divided into two schemes:
  - Pension age scheme - scheme rules prescribed by Central Government.
  - Working age scheme – scheme rules being determined by Lichfield DC.
- 3.2 Since our LCTS scheme was introduced in 2013, we have required working age applicants to make a minimum Council Tax payment of 20%. The following applicants have been able to receive up to 100% support where the claimant or partner is:
  - In receipt of a Severe Disability Premium within LCTS or receiving a Severe Disability Premium within Income Support, Income-based Jobseekers Allowance, or income-related Employment and Support Allowance; or
  - In receipt of a war widow(er)s pension or war disablement pension; or
  - Responsible for and resides with a dependent child under 5 years.
- 3.3 Since 2013 we have updated the scheme to align it with Housing Benefit and Universal Credit.
- 3.4 At Cabinet on 5 April 2022 we discussed the need to review the current working age scheme to more closely align it to the applicants ‘ability to pay’ their Council Tax liability.
- 3.5 At this meeting, Cabinet gave authority for officers to develop a replacement LCTS scheme for the working age – ranging from slight changes to the existing scheme, through to the introduction of an ‘income banded’ scheme. (The income banded scheme categorises all working age applicants into a discount band and calculates the level of LCTS based on their assessed weekly income).

3.6 The replacement scheme needs to deliver the following key outcomes:

- A simplified scheme for the resident.
- A future proofed scheme that is capable of adapting to change.
- Simplified administration.
- Reduction in poverty and refocus on ‘ability to pay’
- A scheme that recognises and tackles ‘exceptional hardship’
- For the scheme to remain affordable.
- For the cost of implementing the scheme to be affordable.

3.7 This report will update Cabinet on:

- The modelling activity that has taken place and why we propose the banded scheme.
- Key features of the proposed new scheme for the working age compared to the existing scheme.
- The level of projected residents who will higher or lower support from the new banded LCTS scheme.
- Visibility to ‘next steps’ – including consultation.

### Modelling a new LCTS scheme for April 2023

3.8 We carried out the following modelling activity, using the NEC modelling tool:

- **Slight changes to the existing LCTS scheme**

We modelled for the disregard of Child Benefit, lower levels of liability reduction, removal of non-dependant deduction and the removal of the additional earnings disregard. Whilst the changes would result in more applicants receiving higher support and lower numbers of those receiving lower support, it would not result in a simplified scheme.

- **Introducing a new ‘income-banded’ scheme for the working age**

We modelled 7 schemes - passported, single, single 1 child, single 2 children, couples, couples 1 child, couples 2 children, using the following table:

Reduction %	Single	Single plus 1 dependant	Single plus 2 dependants	Couple	Couple plus 1 dependant	Couple plus 2 dependants
<b>Weekly Income levels</b>						
<b>100%*</b>	Below £77.50	Below £162.50	Below £229	Below £121.50	Below £206.50	Below £273.50
<b>75%</b>	£77.50	£162.50	£229	£121.50	£206.50	£273.50
<b>50%</b>	£117.50	£202.50	£269	£161.50	£246.50	£313.50
<b>25%</b>	£157.50	£242.50	£309	£201.50	£286.50	£353.50
<b>0%</b>	£197.50	£282.50	£349	£241.50	£326.50	£393.50

\*Those on passported benefits such as Income Support, Jobseeker’s Allowance (Income Based) and Employment and Support Allowance (Income Related) were modelled as receiving 100% LCTS. All other discount levels were based on the applicants and partners (if applicable), net income.

3.9 The modelling activity identified that the income-banded scheme would deliver the key outcomes that were identified in 3.6 (above) and we recommend adopting the income-banded scheme, for the following reasons:

- The scheme will be easier to administer, giving the option for more generic-based processing between Customer Services, Revenues and Benefits service areas, saving time and cost.
- Applicants will find it easier to understand the income-banded scheme as the website and documentation will clearly set out the qualifying criteria for a reduction of 25%, 50%, 75% and 100%.

## Key features of the proposed New Banded LCTS Scheme

3.10 The scheme produces benefits to the Council in terms of administrative cost savings and the key features of the proposed banded scheme for the working age compared to the existing scheme are summarised below:

New feature	Benefit for the applicant
No Liability reduction	More will qualify for up to 100%, helping to reduce poverty and focus on their 'ability to pay'.
No restriction to band D	More help for residents that are 'property rich' but 'income poor'.
No non-dependant deduction	Reduced scheme complexity. Provides protection for low income households. Focus on 'ability to pay'.
Disregard Universal Credit Housing costs -pro rata	An amount in respect of the housing element, within Universal credit will be disregarded
<b>Income disregards:</b> a. Child Benefit b. Carer Allowance c. Support Component of Employment Support Allowance	<b>More income available to:</b> a. Support their children. b. Encourage caring initiatives. c. Support vulnerable groups.
Flat rate £50 earnings disregard	Encourages residents to take up work opportunities and increases and unifies the current disregards.
No Childcare disregard	Reduced scheme complexity. The removal of this disregard will be mitigated by the more generous scheme.
Disregard £85 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.	Provides a higher level of support to disabled groups, enabling them to keep more of their income to support their disablement needs.
Removal of extended payments	Reduced scheme complexity as extended payments will not apply to a banded scheme. The removal will be mitigated by the more generous scheme.

## The Proposed New Banded LCTS Scheme

3.11 The proposed new banded scheme for the working age will:

- Provide more support to low income households.
- Better align with Universal Credit.
- Continue to have a simplified claiming process, with entitlement to LCTS maximised.
- Claims will be able to be calculated promptly and largely automatically without the need to request further information.
- The generous income bandwidths of the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and will help to maintain high collection rates.
- Discount changes will be effective from the day of the change rather than the Monday of the following week.

## Modelled Impact of the Proposed new Banded LCTS Scheme

3.12 A breakdown of the banded scheme options that we have considered, the estimated cost of each option compared with the existing scheme and a summary of those receiving higher or lower support for each option is shown in detail at **APPENDIX A** and in summary below:

Option	Projected Cost	Additional cost compared to the Existing Scheme	Projected Higher Support	Projected Lower Support
Option 1	£5,300,797	£314,797	1,682	613
Option 2	£5,449,188	£463,188	1,794	490
Option 3	£5,486,371	£500,371	1,848	390
Option 4	£5,497,551	£511,511	1,890	373
Option 5	£5,527,779	£541,779	1,870	369

3.13 **We recommend implementing option 5** as it more closely aligns with the key outcomes that were identified in 3.6 (above) and results in a lower number of those receiving lower support (369). It should be noted that those receiving lower support are expected to reduce slightly following a data cleanse activity involving some of the Universal Credit claims. (Current expectations are that these figures could reduce by around 30 claims).

3.14 The proposed new scheme will contain additional provisions to protect claimants that experience exceptional hardship. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. This approach will enable individual applicants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the LCTS scheme and fall to be paid through the Collection Fund.

3.15 If the proposed new scheme is approved, consultation now needs to be undertaken with the public and the major precepting authorities. If accepted by the Council, the new scheme will take effect from 1<sup>st</sup> April 2023.

3.16 Following the implementation in April 2023, we will actively monitor the impact of the new scheme and carry out a review in August 2023 to consider whether any changes are required for April 2024. We do not envisage any major change to the design of the scheme but feel it appropriate to review the need for change.

Alternative Options	The alternative to introducing a new scheme for LCTS from 2023/24 is to leave the existing scheme in place. This would be a short-term option; lead to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.
Consultation	A full consultation will be undertaken in line with the statutory requirement with: <ul style="list-style-type: none"> <li>• The Staffordshire Police, Fire and Rescue and Crime Commissioner; and</li> <li>• The public</li> <li>• Any other interested groups or parties</li> </ul>
Financial Implications	The current LCTS scheme costs approximately <b>£4.986m</b> which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions in 2022/23: <ul style="list-style-type: none"> <li>• District Council (9.53%);</li> <li>• Parish Councils Average (2.72%);</li> <li>• Staffordshire County Council (71.07%);</li> <li>• Police and Crime Commissioner (12.61%);</li> <li>• Fire and Rescue Service (4.08%);</li> </ul>

The approach and 'shape' of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. There is no intention to reduce the level of support available to other households. Based on current modelling, were the new scheme to be in place at the current time, the costs would be **£5.530m** although financial modelling will continue to be undertaken during the project.

Whilst the expected costs of the scheme for 2023/24 will be slightly higher, the overall level of LCTS as a proportion of the Council Tax Base has reduced year on year since 2013 as shown below. The proposed changes for 2023/24 would still represent a significant reduction in the proportion of costs in real terms compared to the original LCTS level:

	2013	2014	2015	2016	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Tax Base</b>	62.148	62.727	64.165	66.653	69.923	74.837	79.238	83.373	88.150
<b>LCTS</b>	4.921	4.515	4.372	4.356	4.388	4.540	4.492	5.019	4.992
<b>Percentage</b>	7.91%	7.19%	6.81%	6.54%	6.26%	6.07%	5.67%	6.02%	5.66%

The table below also provides details of the collection rate for working age cases and it can be clearly seen that the reduced level of support provided is inevitably leading to a reduction in the in-year collection rate.

This is primarily due to the need for even the poorest families being required to make a minimum payment and the resulting increase in the level of arrears. In most cases the sums outstanding now are far more than their ability to pay:

Financial Year	2013	2014	2015	2016	2017	2018	2019	2020
Collection Rate	98.90%	98.70%	98.80%	98.81%	98.86%	98.72%	98.52%	98.12%

The level of arrears related to Local Council Tax Support is shown below:

Year	Arrears
<b>2013/14</b>	£13,240
<b>2014/15</b>	£11,650
<b>2015/16</b>	£19,080
<b>2016/17</b>	£32,699
<b>2017/18</b>	£51,400
<b>2018/19</b>	£102,063
<b>2019/20</b>	£158,677
<b>2020/21</b>	£128,958

The Approved Budget contained in the Collection Fund that could be impacted by the LCTS scheme for 2023/24 and beyond is shown below:

Collection Fund	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
<b>Local Council Tax Support</b>					
Base Scheme	£4,570,930	£4,713,650	£5,089,440	£5,188,350	£5,289,190
Allowance for COVID-19 and Cost of Living	£855,920	£539,850	£266,140	£271,310	£276,580
<b>Sub Total</b>	<b>£5,426,850</b>	<b>£5,253,500</b>	<b>£5,355,580</b>	<b>£5,459,660</b>	<b>£5,565,770</b>
<b>Bad Debts (c1%)</b>					
Base Allowance	£780,410	£808,440	£837,560	£868,280	£895,210
<b>Sub Total</b>	<b>£780,410</b>	<b>£808,440</b>	<b>£837,560</b>	<b>£868,280</b>	<b>£895,210</b>
<b>Budgets potentially impacted by a review of LCTS</b>	<b>£6,207,260</b>	<b>£6,061,940</b>	<b>£6,193,140</b>	<b>£6,327,940</b>	<b>£6,460,980</b>

Approved by  
Section 151  
Officer

Yes

Legal Implications	<p>Schedule 1A (3) of the Local Government Finance Act 1992, states: Before making a scheme, the authority must:</p> <ul style="list-style-type: none"> <li>consult any major precepting authority which has power to issue a precept to it,</li> <li>publish a draft scheme in such manner as it thinks fit, and</li> <li>consult such other persons as it considers are likely to have an interest in the operation of the scheme.</li> </ul> <p>In addition, in order to set a new scheme, the Council is obliged to make a resolution by 11<sup>th</sup> March of the year prior to the scheme coming into place</p>
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The review of LCTS underpins our priority of developing prosperity, encouraging economic growth and being a good council that is responsive, and resident focussed.
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Equality, Diversity and Human Rights Implications	<p>The move to the new scheme will either have a neutral or positive affect to the majority of working age claimants. From initial modelling 1,870 claimants will receive more support that under the previous scheme.</p> <p>As with all changes however there will be up to 369 claimants who may receive less support than previous. In all of those cases, further support will be available through the Council's Exceptional Hardship Fund.</p> <p>A full Equalities Impact Assessment will be completed once the full consultation process has been completed.</p>
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Crime & Safety Issues	No specific issues.
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Environmental Impact	The reduction in administration together with the removal of notification letters etc. will have a positive environmental impact
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GDPR / Privacy Impact Assessment	No specific issues.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The resourcing requirements for modelling, consulting, delivering and implementing the new LCTS are critical to the timely and successful launch.	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow	Interim Revenues and Benefits Manager to lead the project, with support from Benefits Manager.  The modelling and validation of results may mean that additional capacity is required. Any additional capacity will be funded from existing budgets including earmarked reserves	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow

	Interim Revenues and Benefits Manager			
B	The accuracy of the modelling tool data is critical to the financial modelling of each of the proposed schemes.  Interim Revenues and Benefits Manager	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow	Benefits Manager to work collaboratively with Interim Revenues and Benefits Manager to validate and check results.	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow
C	The consultation process may identify areas that had not been considered to that point, leaving less time to build it in.  Interim Revenues and Benefits Manager.	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow	Benefits Manager to work collaboratively with Interim Revenues and Benefits Manager to quickly address any matters arising.	Likelihood: Yellow Impact: Yellow  Severity of Risk: Yellow

Background documents	Medium Term Financial Strategy 2021-2026 Local Council Tax Support Review – Report to Cabinet 5 April 2022.
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Relevant web links	
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## LCTS modelling – showing the range of banded scheme options for April 2023

Option 1	<ul style="list-style-type: none"> <li>No liability reduction for working age.</li> <li>No non-dependant deductions.</li> <li>Disregard Child Benefit</li> <li>Disregard Carer Allowance</li> <li>Disregard support component of Employment Support Allowance.</li> <li>Disregard Universal Credit housing costs pro-rotta.</li> <li>No additional earnings disregard – flat rate of £50 disregard for workers.</li> <li>Disregard £30 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.</li> <li>No childcare disregard</li> </ul>
Option 2	<ul style="list-style-type: none"> <li>Disregard £75 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.</li> </ul>
Option 3	<ul style="list-style-type: none"> <li>Disregard £80 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.</li> </ul>
Option 4	<ul style="list-style-type: none"> <li>Disregard £85 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.</li> </ul>
Option 5	<ul style="list-style-type: none"> <li>Disregard £85 of income for people entitled to disability premium, enhanced disability premium, severe disability premium and disabled child premium.</li> <li>Removal of restriction to band D.</li> </ul>

Using Northgate data as of 13<sup>th</sup> May 2022

Option	Cost of existing scheme	Cost of banded scheme	Difference
Option 1	£4,986,000	£5,300,797	£314,797
Option 2	£4,986,000	£5,449,188	£463,188
Option 3	£4,986,000	£5,486,371	£500,371
Option 4	£4,986,000	£5,497,551	£511,551
Option 5	£4,986,000	£5,527,779	£541,779

## Option 1

Higher support		Lower support	
Value	Number affected	Value	Number affected
Up to £0.99	27	Up to £0.99	64
£1 - £4.99	713	£1 - £4.99	148
£5 - £9.99	633	£5 - £9.99	261
£10 - £14.99	207	£10 - £14.99	91
£15 - £19.99	77	£15 - £19.99	26
Over £20	25	Over £20	23
<b>Total</b>	<b>1,682</b>	<b>Total</b>	<b>613</b>

## Option 2

Higher support		Lower support	
Value	Number affected	Value	Number affected
Up to £0.99	29	Up to £0.99	74
£1 - £4.99	707	£1 - £4.99	175
£5 - £9.99	700	£5 - £9.99	164
£10 - £14.99	238	£10 - £14.99	42
£15 - £19.99	87	£15 - £19.99	21
Over £20	33	Over £20	14
<b>Total</b>	<b>1,794</b>	<b>Total</b>	<b>490</b>

## Option 3

Higher support		Lower support	
Value	Number affected	Value	Number affected
Up to £0.99	30	Up to £0.99	53
£1 - £4.99	725	£1 - £4.99	117
£5 - £9.99	729	£5 - £9.99	166
£10 - £14.99	241	£10 - £14.99	32
£15 - £19.99	86	£15 - £19.99	10
Over £20	37	Over £20	12
<b>Total</b>	<b>1,848</b>	<b>Total</b>	<b>390</b>

## Option 4

Higher support		Lower support	
Value	Number affected	Value	Number affected
Up to £0.99	63	Up to £0.99	49
£1 - £4.99	726	£1 - £4.99	109
£5 - £9.99	734	£5 - £9.99	143
£10 - £14.99	242	£10 - £14.99	41
£15 - £19.99	86	£15 - £19.99	21
Over £20	39	Over £20	10
<b>Total</b>	<b>1,890</b>	<b>Total</b>	<b>373</b>

## Option 5 (Proposed scheme)

Higher support		Lower support	
Value	Number affected	Value	Number affected
Up to £0.99	32	Up to £0.99	50
£1 - £4.99	725	£1 - £4.99	117
£5 - £9.99	716	£5 - £9.99	131
£10 - £14.99	250	£10 - £14.99	41
£15 - £19.99	89	£15 - £19.99	20
Over £20	58	Over £20	10
<b>Total</b>	<b>1,870</b>	<b>Total</b>	<b>369**</b>

\*\*We expect this figure to reduce by around 30, following a data cleanse activity to remove the Housing cost element of their Universal Credit. Following this activity, we expect to have around 339 applicants receiving lower support.

Those receiving lower support are typically applicants that have the higher level of disability premiums, or people that are in receipt of Universal Credit that contain additional elements for carer, disabled child or limited capability for work. Some of the families with more than 2 children will be worse off also because they tend to have higher incomes. If these groups experience hardship as a result of the changed scheme, they have the option of applying for additional support through the exceptional hardship scheme.