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**Report of Corporate Management Team**

**John Hewitt, Corporate Director of Resources**

**Councillor Alan Napier, Cabinet Portfolio Holder for Finance**

**Electoral division(s) affected:**

Countywide

**Purpose of the Report**

- 1 To seek Council approval for the continuation of the current Local Council Tax Reduction Scheme (LCTRS) for a further year into 2020/21, with two minor amendments, which would continue the protection afforded to all claimants in line with what their entitlement would have been under the Council Tax Benefit System, as agreed by Cabinet at their meeting on 10 July 2019. The proposed amendments to the scheme will enhance flexibility in terms of backdated awards.

**Executive summary**

- 2 The national Council Tax Benefit system was abolished and replaced by LCTRS on 1 April 2013. Since that date local authorities have designed their own council tax support schemes for working age residents.
- 3 Councils are required to review and approve their schemes annually and have this agreed by a Council Meeting before 11 March each year.
- 4 Government funding towards council tax support was reduced by 10% nationally in 2013/14. By so doing, the Government also transferred the risk of any growth in the system through more council taxpayers becoming eligible for support with their council tax to local authorities as the government grant was a fixed amount.
- 5 Durham is one of only 36 local authorities nationally, and the only one in the North East now, to continue to offer the same level of support to residents as under the Council Tax Benefit scheme. Meaning no LCTRS claimants in our area have been worse off in the last seven years than they would have been under the previous national scheme.

- 6 Nationally the most common change made to LCTRS is the introduction of minimum payments. In the over 80% of local authority areas where these have been introduced, all liable residents, regardless of their income, have to pay a percentage of their council tax. This ranges from 5% to 50% of their full liability. There is a clear correlation between higher minimum payments in LCTRS and reductions in Council Tax collection rates.
- 7 There are currently 57,091 LCTRS claimants in County Durham, of which 22,785 (40%) are pensioners and 34,306 (60%) are working age claimants. 27,015 (78.75%) of working age claimants currently receive 100% LCTRS discount, with LCTRS support forecast to be circa £56.5 million in 2019/20.
- 8 The rollout of Universal Credit (UC) is scheduled to be completed in 2023, but the new benefit is already in payment to a significant number of people in Durham. As of 1 October 2019 there were circa 13,250 LCTR applicants receiving UC, around 39% of the working age LCTR caseload. The council is four times more likely to receive a report of a change in circumstances when a working age LCTR claim is based on UC, than when it is not. Regular monthly recalculations of UC and LCTR, most frequently caused by changes in earnings, are leading to multiple bills being issued to the household and significant difficulties for residents trying to maintain their council tax payments.
- 9 The Council will need to keep track of the impact of the continuing roll out of UC. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%.
- 10 In July 2019, Cabinet resolved to recommend to Council that the current LCTR scheme should be extended for a further year into 2020/21 and, therefore, that no additional council tax revenues or pressures are built into the medium term financial plan (MTFP) projections from a review of the LCTRS at this stage.
- 11 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the council. In addition, whilst the full impacts of the Government's welfare reforms are complex and difficult to track, demand for Discretionary Housing Payments; social fund applications and rent arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide ranging proactive support that has been put in place, is continuing to have a positive impact on these households.
- 12 To date, we have maintained a backdating limit of six months for residents in receipt of LCTR, whereas many local councils have

reduced their maximum LCTR backdating period to one month, in line with changes made to Housing Benefit rules. The maximum length of backdate allowed in Durham's LCTRS is set out in our 2019/20 Scheme, Schedule 2, Paragraph 5(2) and defined as:

'That date is the latest of—

(a) the first day from which the applicant had continuous good cause;

(b) the day 6 months before the date the application was made;

(c) the day 6 months before the date when the applicant requested that the

application should include a past period.'

- 13 The proposals in this report seek to amend the above provisions and extend the backdating provisions to 12 months for all LCTR applicants, to increase flexibility within the scheme still further and provide additional assistance where appropriate 'good cause' is shown.
- 14 The current LCTR scheme has no provision to help residents who have been made liable for council tax retrospectively for a period exceeding the backdating limit. Such cases are rare, but can affect some of our most vulnerable residents. A minor amendment is proposed to treat LCTR applications as made on the date council tax liability started where the application is received within one month, or longer if reasonable, from the date the council tax liability was first created. This would simplify the process for these cases and reduce the reliance on the council's existing discretionary powers.

### **Recommendation(s)**

- 15 Council is recommended to:
  - (a) continue the current Local Council Tax Reduction Scheme into 2020/21, which will retain the same level of support to all working age council tax payers on low incomes;
  - (b) in doing so, agree to amend the scheme to allow for a maximum of 12 months backdating where appropriate and allow applications to be treated as made on the date council tax liability started where applications are received with one month, or longer if reasonable, of the date that the council tax liability was created; and
  - (c) agree that the extension to the Scheme be initially for a further year only and be kept under continuous review with a further decision on the scheme to apply in 2021/22 to be considered by

Cabinet in spring / summer 2020 and Full Council by 11 March 2021.

## Background

- 16 The Government abolished the national Council Tax Benefits system on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a LCTRS with effect from 1 April 2013. The LCTRS provides a 'discount' against the Council Tax charge, rather than a benefit entitlement.
- 17 The Council Tax Reduction Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 was paid directly to the council and the major precepting bodies (Police and Fire).
- 18 Government funding towards council tax support was reduced by 10% nationally in 2013/14. By so doing, the Government also transferred the risk of any growth in the system through more council taxpayers becoming eligible for support with their council tax to local authorities as the government grant was a fixed amount.
- 19 The funding made available to support the LCTRS in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council's formula funding arrangements. Whilst separate figures were published for this in 2013/14, there is no longer any visibility over what level of funding is now for LCTRS that is contained within the formula.
- 20 The council's formula grant includes an element relating to town and parish councils and whilst the council has passed the grant on to the town and parish councils, there is no statutory requirement to do so.
- 21 Following discussions with the Town and Parish Councils' Working Group, and in the spirit of partnership working, recognising the important role town and parish councils play in providing local services to communities, it is proposed to continue to pass on the town and parish element of the formula grant in 2020/21. In doing so, it is proposed that the council continues to apply pro-rata reductions in the Council Tax Support Grant paid to town and parish councils in line with any reductions in the overall formula funding made available to the council and this is reflected in the MTFP model.
- 22 Formula grant has been subject to significant ongoing year on year reductions since 2010/11, however, based on the Spending Round announcements on 4 September 2019, the latest MTFP is forecasting a consumer price index (CPI) inflationary increase in revenue support grant and in the local share of business rates and top up grant under the localisation of business rates, for 2020/21. The Local Council Tax Reduction Scheme Grant payable next year to town and parish councils is therefore estimated to be £1.33m.

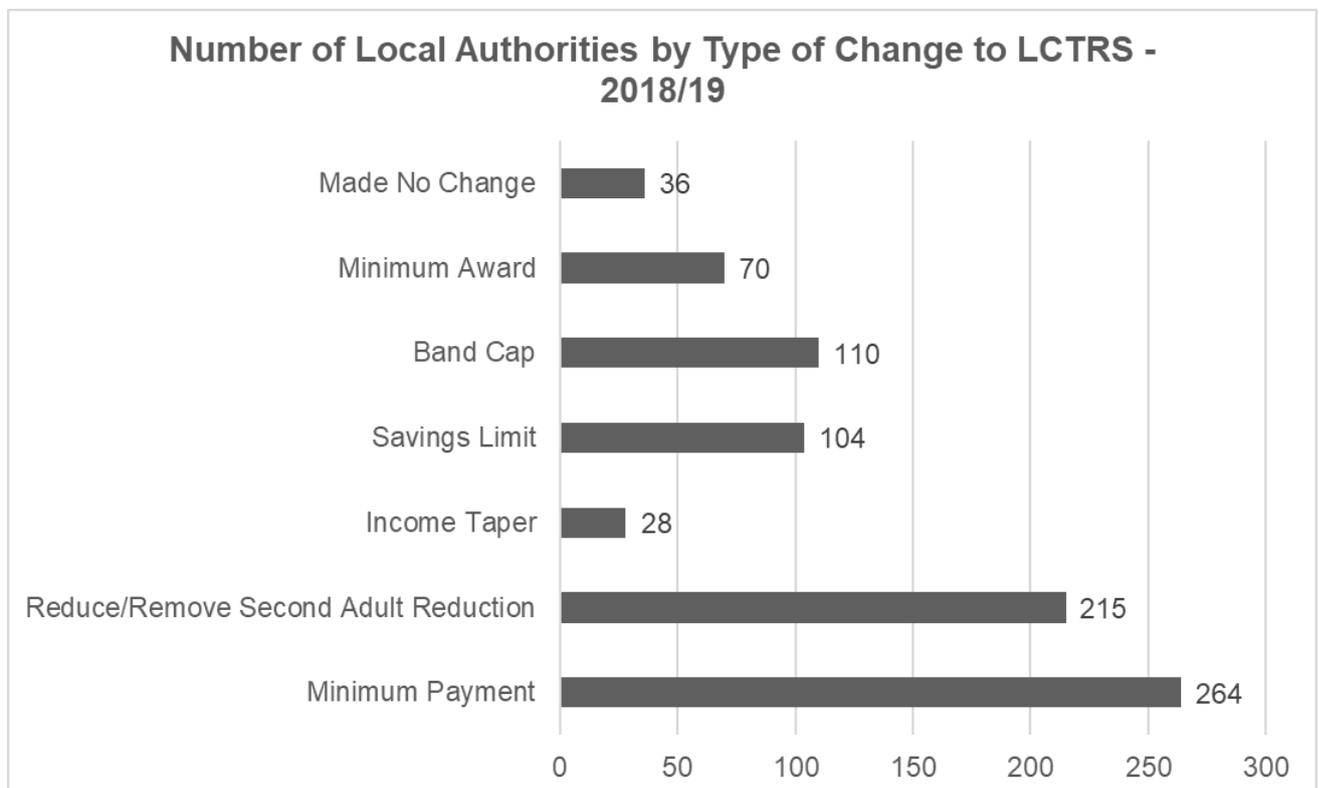
## Review of the Local Council Tax Support Scheme

- 23 On 31 October 2018 Council agreed the current LCTRS for 2019/20, which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax support claimants have therefore been worse off in the last seven years than they would have been under the previous national scheme.
- 24 The council has been mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional council tax liabilities for working age households could have a significant impact on affected household budgets by around £100 a year based on a scheme whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low income households.
- 25 In approving the scheme for 2019/20, the Council (31 October 2018) gave a commitment to review it on the grounds of MTFP affordability and on-going austerity.
- 26 In the North East region, Durham are now the only authority whose scheme continues to mirror entitlement under the former Council Tax Benefit system, whilst the other ten councils have schemes that cap the maximum entitlement to working age claimants.
- 27 The Institute for Fiscal Studies (IFS) estimate that a quarter of the additional council tax liability created by cuts to LCTR since 2013 is not being collected in year. The table below summarises the key features of the schemes in place across the North East in 2019/20 and how their in-year council tax collection rates have changed between 2012/13 and 2018/19 (which is the latest published data available):

Local Authority	Basis of Scheme	Minimum Payment	Second Adult Reduction Offered?	Change in in-year council tax collection rate between 2012/13 and 2018/19
Durham	CTB	No	Yes	+1.62%points
Darlington	CTB	20%	No	-0.12%points
Gateshead	CTB	8.5%	No	-0.86%points
Hartlepool	CTB	12%	No	-1.30%points
Middlesbrough	CTB	15%	No	-3.41%points
Newcastle	Income Banded	10%	No	+0.06%points
North Tyneside	CTB	15%	No	-1.46%points
Northumberland	CTB	8%	Yes	+0.33%points
South Tyneside	CTB	30% or 15% if vulnerable	Yes	-1.99%points

Local Authority	Basis of Scheme	Minimum Payment	Second Adult Reduction Offered?	Change in in-year council tax collection rate between 2012/13 and 2018/19
Stockton	CTB	20%	No	-2.44%points
Sunderland	CTB	8.5%	Yes	-1.38%points

28 In 2018/19, Durham County Council was one of just 36 nationally who continued to mirror entitlement under the former Council Tax Benefit system (11%), with 290 (89%) out of 326 having cut the amount of support available to claimants. The latest published data available shows the most common changes to have been implemented elsewhere have been the introduction of a minimum payment level and reducing or removing the Second Adult Reduction. The chart below shows the types of changes and restrictions implemented to schemes across England:



29 In some local authorities, like Durham, the lowest-income households continue to be exempt from paying council tax whilst in others they are required pay between 5% and 50% of their bill. There is therefore, a wide disparity of support available across the Country.

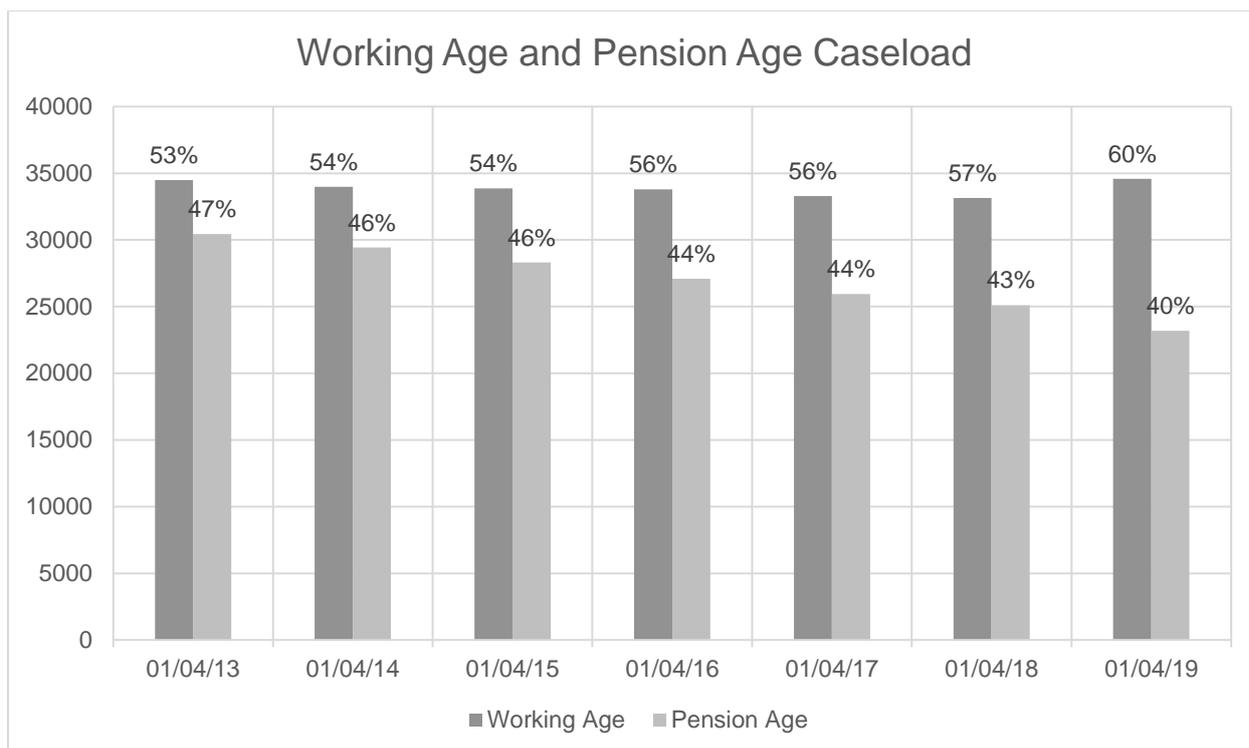
30 The majority of councils who made changes to their schemes in the first few years of LCTR did so to cap the overall amount that could be paid to working age households – 80% of councils had one in 2018-19 – but different councils have set them at very different levels. Combined with

different choices about other aspects of scheme design, this means that otherwise similar households are treated very differently according to where they live. However, more recently, local authorities have started to focus on making changes to better support applicants receiving UC, while maintaining a cap on the total amount that an applicant can receive.

- 31 The rollout of UC was originally intended to be completed by 2017, but after repeated rescheduling the current target date is December 2023. Despite the extended roll-out, UC is already in payment to a significant number of people in Durham. As of 1 October 2019 there were circa 13,250 LCTR applicants receiving UC, around 39% of the working age LCTR caseload.
- 32 The LCTR scheme in Durham, based on CTB, is a complex scheme, designed to reflect and interact with the Department for Work and Pensions' (DWP) long-standing range of legacy benefits. All of which are calculated weekly, are based on the same premiums and allowances, have identical income and capital assessment rules and an established history of common case law.
- 33 UC is a complete departure from the legacy benefits it replaces. It is calculated monthly, with new rules and new allowances, and for in-work claims is subject to regular monthly changes.
- 34 When compared to the legacy benefits schemes it replaces, UC produces more losers than winners, with prominent losers being disabled claimants, due to the loss of substantial disability allowances. Going forward, to offer effective support to applicants who receive UC, local authorities need to rethink their LCTR schemes.
- 35 Durham County Council took an early decision to accept electronic notifications of a new UC claim from the DWP as an application for LCTR. This measure has helped Durham maintain its working age caseload. Other local authorities have seen drops in the number of LCTR applications received, due to residents no longer being required to come to the council to make joint HB and LCTR claims. This will have resulted in increases in council tax arrears and impacted on collection performance.
- 36 In terms of impact on LCTRS workload, the council is around four times more likely to receive a report of a change in circumstances when a working age LCTR claim is based on UC, than when it is not.
- 37 Regular monthly recalculations of UC and LCTR, most frequently caused by changes in earnings, lead to multiple bills being issued to the household and significant difficulties for residents trying to maintain their council tax payments. Net council tax charges are repeatedly being

recalculated and instalment dates pushed back to later in the year. This is further complicated by the need to give customers paying by direct debit 14 days notice when making a change in their payments. These changing instalments can cause considerable budgeting difficulties for residents, as well as a knock-on impact for the council in terms of increased call traffic and council tax collection work.

- 38 Nationally, LCTR schemes provided 24% less support to working-age households in 2018/19 than if the national Council Tax Benefit system had been retained.
- 39 In 2018/19, over two million households across the Country were being adversely affected by the change from Council Tax Benefit. On average these families were paying £204 additional council tax in 2018/19 in comparison to what they would have paid under the national Council Tax Benefit scheme. The number of LCTRS claimants paying an additional £200 or more had increased to 933,000 in 2018/19.
- 40 There are currently 57,091 LCTRS claimants in County Durham, of which 22,785 (40%) are pensioners and 34,306 (60%) are working age claimants. 27,015 (78.75%) of working age claimants currently receive 100% LCTRS discount, with LCTRS support forecast to be circa £56.5 million in 2019/20.
- 41 The LCTRS caseload in Durham has reduced by 10.28% between 2013/14 (when there were circa 65,000 LCTRS claimants) and 2018/19 (when there were circa 58,000 LCTRS claimants), reflecting a national trend which is in part attributed to improved economic conditions (reduced unemployment) across this period and the increase in the state pension age. The reduction in working age LCTRS caseloads nationally has been 18.99% over the same period, which reflects the fact that many local authorities have made their schemes less accessible, meaning fewer applicants now qualify for support.
- 42 In Durham, there are now over 3,200 claimants currently classed as working age that would have been treated as pensionable age claimants prior to 2010, when the process began of moving state pension credit age from 60 for women and 65 for men, up to 66 for both. This process is expected to be completed in 2020 with a further move up to 67 between 2026 and 2028, then to 68 between 2044 and 2046. As the chart below shows, over the last six years there has been a seven percentage point increase in the proportion of working age applicants within Durham:



- 43 This means a higher proportion of our caseload is coming under the part of the LCTRS scheme that the Council has control over. Working age customers also carry a greater administrative workload as they have more frequent changes in their circumstances, particularly when they are in receipt of UC.
- 44 As Members will be aware, if any changes are made to the scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Council meeting before 11 March each year.
- 45 Statutorily, pensioners have to be protected from any changes, therefore any reductions can only be applied to working age claimants.
- 46 Seven years after the Government abolished the national Council Tax Benefits System the council continues to have an LCTRS which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax support claimants have therefore been financially worse off in the last seven years (including the current year) than they would have been under the previous national scheme.
- 47 The Council has been mindful of the continuing impacts of the wider welfare reforms which are having a detrimental impact on many low income households and the fact that the additional council tax liabilities for working age households could have a significant impact on affected household budgets by around £100 to £130 a year based on a scheme

whereby entitlement for working age claimants is set at a maximum of 90% entitlement. This would make collection of council tax more difficult and costly to recover from these low-income households.

- 48 In January 2019, analysis from the IFS showed a direct link between higher minimum payments in LCTRS and lower overall council tax collection rates:

<b>Minimum Payment Level in LCTRS</b>	<b>Estimated Effect on Collection Rate (percentage point change)</b>
Up to 8.5%	-0.09%
8.6% to 20%	-0.24%
Over 20%	-0.49%

- 49 Based on Taxbase assumptions, the estimated net cost of retaining the scheme is circa £5.1m – this reflects the reduction in Government Grant support towards maintaining these schemes in the first year. To recover the full £5.1m cost by reducing the benefit awarded to working age claimants, which currently totals circa £31.5million, and factoring in a prudent collection rate of 80%, would require the maximum entitlement to be reduced from 100% to 79.8%.
- 50 Should the council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase council tax revenues by between £2.52million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1million (based on a scheme that awarded maximum entitlement of 79.8% with a prudent collection rate of 80%). This would impact circa 34,300 working age households across County Durham, where 7,184 (21%) are actually in low paid jobs rather than being unemployed.
- 51 As part of the current scheme, we have maintained a backdating limit of six months for residents in receipt of LCTR, whereas many local councils have reduced their maximum LCTR backdating period to one month, in line with changes made to Housing Benefit rules. The maximum length backdating allowed in Durham’s LCTRS is set out in our 2019/20 Scheme, Schedule 2, Paragraph 5(2) and is defined as:
- ‘That date is the latest of—
- (a) the first day from which the applicant had continuous good cause;
  - (b) the day 6 months before the date the application was made;

(c) the day 6 months before the date when the applicant requested that the

application should include a past period.'

52 On rare occasions, residents have demonstrated good reasons for delaying their LCTR claims for more than six months, however, we have been unable to consider backdating beyond six months due to the restrictions contained in the current scheme. In such cases officers have had to consider exercising discretion under Section 13A(1)(c) of the Local Government Finance Act 1992 to offset the limitations of the LCTR scheme in terms of backdating awards.

53 It is proposed that the scheme is amended to allow up to 12 months backdating for all residents if continuous 'good cause' is demonstrated for not submitting a claim earlier.

54 The current LCTR scheme has no provision to help residents who have been made liable for council tax retrospectively for a period exceeding the backdating limit. Such cases are rare, but can affect some of our most vulnerable residents. Scenarios can include:

- Residents renting a shared property where a decision has been made to change liability from a landlord to the tenants
- A couple where one member is a full-time student. The student member of the couple has been the CTR applicant. Council Tax records are updated retrospectively to exempt the student member of a couple from council tax liability and to award a discount. As a result the existing CTR claim is cancelled, and the non-student has to make a CTR application in their own name

55 In these cases officers currently have had to consider exercising discretion under Section 13A(1)(c) of the Local Government Finance Act 1992. To make the process more efficient, transparent and less stressful for vulnerable customers it is proposed that where:

- An LCTR application is made within one month, or longer if reasonable, of the date their council tax liability was created,

The LCTR application will be treated as if it was made on the date that council tax liability started.

## **Conclusion**

- 56 There is a statutory requirement for Full Council to approve the Local Council Tax Reduction Scheme (LCTRS) to be operated in 2020/21 before 11 March 2020.
- 57 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTRS that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.
- 58 Following careful consideration of the current financial position of the council and in light of further cuts to the Welfare Budget planned by Government, including the continued roll out of UC Full Service, which commenced in October 2017 in County Durham; Cabinet (July 2019) resolved to recommend to Council that the current scheme should be extended for a further year into 2020/21 and, therefore, that no additional council tax revenues or pressures are built into the MTFP projections from a review of the LCTRS at this stage.
- 59 The reasons for extending the current scheme are due to the current scheme remaining within existing cost parameters for the council. In addition, whilst the full impacts of the Government's welfare reforms are complex and difficult to track, demand for Discretionary Housing Payments; social fund applications and rent arrears statistics in County Durham compared to others across the region, would suggest that the council tax benefit protection afforded to working age claimants, in addition to the wide ranging proactive support that has been put in place, is continuing to have a positive impact on these households.
- 60 To date, we have maintained a backdating limit of six months for residents in receipt of LCTR, whereas many local councils have reduced their maximum LCTR backdating period to one month, in line with changes made to Housing Benefit rules. The maximum length backdating allowed in Durham's LCTRS is set out in our 2019/20 Scheme, Schedule 2, Paragraph 5(2) and defined as:
- 'That date is the latest of—
- (a) the first day from which the applicant had continuous good cause;
  - (b) the day 6 months before the date the application was made;
  - (c) the day 6 months before the date when the applicant requested that the
- application should include a past period.'
- 61 The proposal is to amend the above provisions and extend the backdating provisions to 12 months, to increase flexibility within the

scheme still further and provide additional assistance where appropriate and necessary. This will negate the need for officers to have to consider exercising discretion under Section 13A(1)(c) of the Local Government Finance Act 1992 to offset the limitations on the policy in terms of backdating awards in certain circumstances.

- 62 The current LCTR scheme has no provision to help residents who have been made liable for council tax retrospectively for a period exceeding the backdating limit. Such cases are rare, but can effect some of our most vulnerable residents. A minor amendment is proposed to treat LCTR applications as made on the date council tax liability started where the application is received within one month, or longer if reasonable, from the date the council tax liability was first created. This would simplify the process for these cases and reduce the reliance on the council's existing discretionary powers.
- 63 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTRS that have reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery of the council tax due.
- 64 The council will also need to keep track of the impact of the roll out of UC. This presents continuing challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.
- 65 More significantly however, UC changes results in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%.
- 66 Any proposed changes to the LCTRS for 2021/22 would need to be consulted upon and, should any changes be proposed, a report would need be brought to Cabinet in spring / summer 2020 before embarking on a consultation process thereafter.

## **Background papers**

- Local Government Finance Act 1992 (section 13A)
- Welfare Reform Act 2012

- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019

### **Other useful documents**

- Medium Term Financial Plan (10), 2020/21-2023/24 and Review of the Local Council Tax Reduction Scheme for 2020/21 – Report to Cabinet 10 July 2019
- Forecast of Revenue and Capital Outturn 2019/20 period to 30 June 2019 – report to Cabinet 10 July 2019

### **Author(s)**

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## **Appendix 1: Implications**

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### **Legal Implications**

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992.

Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need (“a council tax reduction scheme”).

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (“the 2012 Regulations”) prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a ‘discount’ against the council tax charge, rather than a benefit entitlement and as such impacts on the council’s tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the Council Tax Base.

A key element of the tax base calculation is the council’s policy in terms of its LCTRS.

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 11 March each year. Where the council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes.

Pensioners, have to be protected from any changes, with any reductions applied to working age claimants only.

## **Finance**

The funding made available to support the LCTRS in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council's formula funding arrangements.

The council has continued to pass on the town and parish element of its formula grant over the last seven years but in doing so continue to apply pro-rata reductions in the Council Tax Support Grant paid to town and parish councils.

Formula grant has been subject to significant ongoing year on year reductions since 2010/11, however, based on the Spending Round announcements on 4 September 2019, the latest MTFP is forecasting a consumer price index (CPI) inflationary increase in revenue support grant and in the local share of business rates and top up grant under the localisation of business rates, for 2020/21. The Local Council Tax Reduction Scheme Grant payable next year to town and parish councils is therefore estimated to be £1.33m

The council is responsible for the costs of any increase in caseload as the level of Government support is fixed within formula grant.

Prudent estimates and provisions were built into the tax base forecasts at budget setting, and whilst the council is subject to greater financial risk now, the current scheme remains within the budget provisions.

Should the council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase council tax revenues by between £2.52million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1million (based on a scheme that awarded maximum entitlement of 79.8% with a prudent collection rate of 80%). This would impact circa 34,300 working age households across County Durham, where 7,184 (21%) are actually in low paid jobs rather than being unemployed.

## **Consultation**

Town and parish councils were consulted on the proposals to continue to passport an element of the council's formula grant, equivalent to the town and parish share of the Local Council Tax Reduction Scheme grant funding within formula grant for 2020/21.

No further consultation has been undertaken as Cabinet resolved on 10 July 2019 to recommend to Council that it extends and continues the current LCTRS into 2020/21, thereby retaining the same level of support to all working age council tax payers as the previous Council Tax Benefit Scheme, which was abolished on 1 April 2013.

The proposal to extend the flexibility within the existing policy to allow for a maximum period of backdating of 12 months and allow applications to be treated as made on the date council tax liability started where applications are received with one month, or longer if reasonable, of the date that the council tax liability was created are not considered material and therefore have not been subject to consultation.

### **Equality and Diversity / Public Sector Equality Duty**

Seven years after the Government abolished the national Council Tax Benefits System the council continues to have a LCTRS which mirrors the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in the last seven years than they would have been under the previous national scheme and if the proposals set out in this report and ultimately agreed by Council in the autumn this will continue to be the case.

The Government EIA on the LCTRS was published in January 2012 and is relatively brief. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

Given the proposals to extend the current LCTRS into 2020/21, and enhance the backdating provisions, thereby continuing to protect current entitlement, then there will be no negative equalities impact, with the financial position of claimants protected in 2020/21.

Should the Council decide against extending the current scheme into 2020/21, and elect instead to pass on reductions to working age claimants, there would be a range of potential negative equalities impacts. These include financial impact for working age claimants and possible additional impacts in relation to health and wellbeing, housing and the consequences of debt or legal action. These impacts are most likely in relation to gender, age and disability with limited impacts for race and sexual orientation and no evidence of impact on transgender status, religion or belief.

## **Climate Change**

None.

## **Human Rights**

None.

## **Crime and Disorder**

Any reduction in council tax support, alongside other welfare changes could see an increase in crime if customers seek to increase their income to make up for the benefits lost. The proposals set out in this seek to protect current entitlement in 2020/21 and as such have no implications, though the impact of the wider welfare reforms agenda will need to be kept under constant review.

## **Staffing**

None.

## **Accommodation**

None.

## **Risk**

The report outlines a range of financial risks surrounding the LCTRS. These are being effectively managed at this time. Given that the proposal is to extend the current arrangements into 2020/21 there are no system development issues or risk associated with these proposals as the systems were amended in advance of 2013/14.

The council will need to keep track of the impact of the roll out of Universal Credit (UC). This presents new challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances (experience is that the UC earned income element changes frequently as the person moves through the claimant commitment with their Work Coach) and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.

More significantly however, UC changes results in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any Council Tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%.

## **Procurement**

None.