

Meeting: EXECUTIVE

Agenda Item:

12

Portfolio Area: RESOURCES

Date: 12 July 2016

COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS AND EXEMPTIONS

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1 PURPOSE

- 1.1 To provide an update on the review of Council Tax, Council Tax Support Scheme and proposals to amend Council Tax discounts and exemptions.
- 1.2 To propose council tax exemption and discount levels for 2017/18.
- 1.3 To report on the views of Overview and Scrutiny Committee Members on the proposals.
- 1.4 To propose changes to the Council Tax Support scheme for consultation for 2017/18.

2 RECOMMENDATIONS

- 2.1 That Members approve the discretionary discount changes summarised in paragraph 4.9.1 with effect from 2017/18, (subject to the cost to the HRA being mitigated) namely:
 - Apply a 50% premium on long term empty properties
 - Remove the 10% discount on empty properties
- 2.2 That Members approve the options recommended for consultation, prior to the implementation of any changes for 2017/18, including a 10% liability for working aged claimants to pay, for the reasons outlined in section 4.9 (options C1-C6), these are:
 - Realign the scheme to Housing Benefit regulations
 - Retain a maximum liability at 91.5% but remove second adult rebate
 - Retain a maximum liability at 91.5% but introduce new non dependant deductions
 - Retain a maximum liability at 91.5% but capital savings at £8k
 - Introduce maximum liability at 90%, an increase for working aged claimants to pay of 1.5%

- 2.3 That that the consultation document is signed off by the Portfolio Holder for Resources.
- 2.4 That the views of the Overview & Scrutiny Committee on the scheme be noted.
- 2.5 That the approach taken by officers for prosecutions as a sanction for identified fraud in claiming council tax discounts or exemptions be noted.

3. BACKGROUND

- 3.1 The Government made provision within the Local Government Finance Act 2012 to replace the current national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for CTS devised by individual local authorities (LAs).
- 3.2 At the same time the Government enabled Councils to review the level and duration of a small range of Council Tax discounts. These included long term empty, second homes and empty and substantially unfurnished, and empty and uninhabitable properties.
- 3.3 A Billing Authority (SBC) must consider whether to revise or replace its scheme with another on an annual basis, which cannot be changed in year.
- 3.4 Any revision to a scheme must be made by the Council by the 31 January, immediately preceding the financial year in which it is to take effect and will require consultation with those affected. Additionally consideration should be given to providing transitional protection where the support is to be reduced or removed.
- 3.5 The Council must, in the following order, consult with major precepting authorities (i.e. Hertfordshire County Council and Police and Crime Commissioner for Hertfordshire), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 3.6 The Government, on transfer of the scheme to council's, only transferred 90% of the cost requiring councils to fund the remaining amount by charging working aged claimants (WAC's) and or support the shortfall in the funding from other budgets. This Council introduced an 8.5% charge to WAC's and received a one off grant to fund the lower amount in year one. The scheme has remained unchanged from the first year, however funding has reduced as the Government has removed central grant funding and consequently scheme funding, leaving councils to cover an ever increasing amount of the scheme.
- 3.7 The Council Tax discounts and premiums for empty properties can be reviewed and amended if considered desirable in conjunction with policy objectives, and consultation is not necessary on these changes.

- 3.8 This report looks at the current assumptions made for council tax in terms of taxbase, collection assumptions and approaches to validating data as well as discretionary discounts and the council tax support scheme as they all impact on the level of income collected and ultimately the amount Stevenage accounts for to fund services.
- 3.9 The Government committed to review the Council Tax reduction schemes within the first three years of its introduction. The report and recommendations have now been made public. The Government's response to these is outstanding.

The full report can be viewed at;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

- 3.10 The recommendations from the review are attached at Appendix B.
- 3.11 Local Government faces significant challenges over the next few years with the reduction in government grant and uncertainty about the future distribution of business rates and new homes bonus. Stevenage Borough Council will have £1.7Million of grant removed from its budget between 2016/17 and 2019/20 and has savings of £1.484Million to find for the period 2017/18-2019/20.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Council Tax Discounts and Exemptions

- 4.1.1 Prior to April 2013 the Government specified the amount, duration and qualifying conditions of almost all Council Tax exemptions and discounts. With the introduction of the local Council Tax Reduction Scheme (CTS) the Government enabled councils to review the level and duration of a small range of discounts. These included long term empty, second homes and empty and substantially unfurnished and empty and uninhabitable properties.
- 4.1.2 The Council reduced the discounts on the empty & uninhabitable, and empty & substantially unfurnished properties from 100% for the specified periods, to 10%. Second home discounts were removed, but an option to add an *additional* 50% charge (ie.150%) to properties which had been empty for more than 2 years was not considered at the time.
- 4.1.3 There are no legislative requirements to consult on these changes the impact of adding 50% premium to the long term empty properties, and removing the 10% discounts given on short term empty properties is detailed in Table 1 below.

Table 1: Long Term Empty Premium and discounts

Long term empty premium (at 1.4.16)	100% of Income	SBC retains 12.67%
Non HRA properties	£28,756	£3,643
HRA properties	£8,483	£1,075
Total	£37,239	£4,718
Empty and substantially unfurnished & Empty-uninhabitable – est. 2016/17	100% of Income	SBC retains 12.67%
Non HRA properties	£24,960	£3,162
HRA properties	£7,040	£892
Total	£32,000	£4,054
Total from discounts and premiums	£69,239	£8,772

4.1.4 It should be noted that long term empty property premium and the reduction in discount to 0% would increase costs to the HRA estimated at £15,523. It would not make financial sense to increase the cost to the HRA by £15,523 and reduce the cost to the General Fund by £8,772 per year.

4.1.5 There is a risk that by applying the premium to long term empty properties could increase levels of avoidance. For example, once a premium is applied, a household could claim that the property is occupied by a single person, thus avoiding the premium and attracting a further reduction of 25%.

4.1.6 Other neighbouring Local Authorities have applied different discretions as shown in the table below.

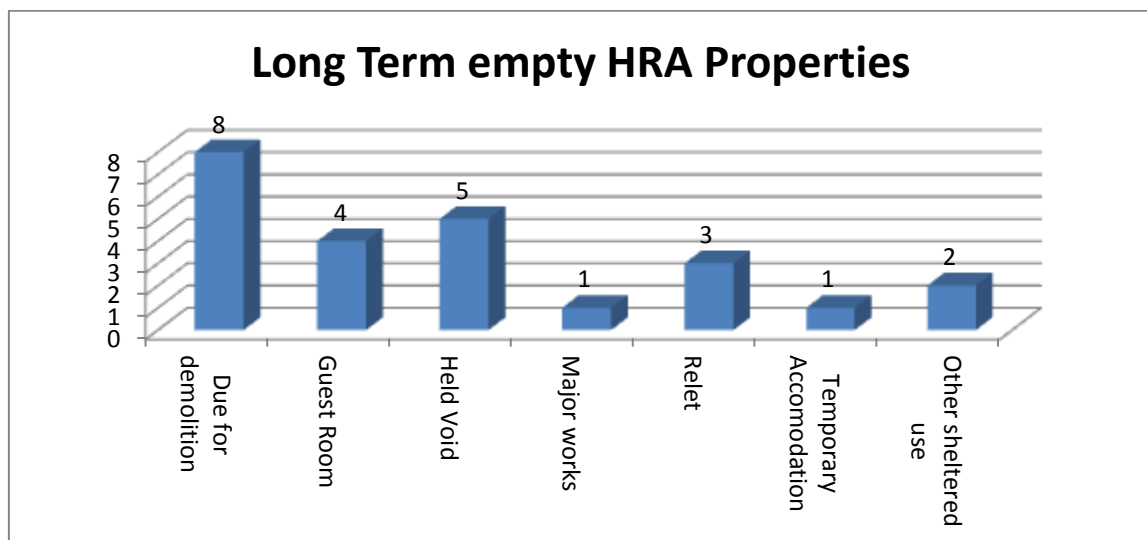
Table 2: Discounts and Exemptions in Hertfordshire and Bedfordshire

	Premium charged on Long Term Empty properties?	Discount for 'empty and unfurnished'	Discount for Empty-uninhabitable
East Herts	No	50% for 6 months	50% for up to 12 months
Stevenage	No	10% for 6 months	10% for up to 12 months
North Herts	Yes	100% for 28 days only	Zero
Hertsmere	Yes	100% for up to 2 months	50% for up to 12 months
Welwyn	Yes	100% for one month	Zero
St Albans	Yes	50% for 6 months	Zero
Dacorum	Yes	100% for up to 3 months	100% for up to 3 months

Three Rivers	Yes	Zero	Zero
Watford	Yes	Zero	Zero
Central Beds	Yes	Zero	Zero
Bedford	Yes	Zero	Zero
Luton	Yes	Zero	Zero

Overview and Scrutiny Committee Members' Views

4.1.8 The Overview & Scrutiny Committee Members asked a number of questions round the HRA long term empty properties and were advised that some long term empties are actually guest rooms in sheltered schemes. An analysis of 24 long term empty HRA properties which were empty at the time of completing the costings in the table above are detailed below.



4.1.9 The Overview and Scrutiny Committee Members concurred with officers recommendations that the empty property discount is removed and the long term empty premium applied. However this would be subject to looking at ways to mitigate the cost to the HRA. Members will be updated on this in the report on the scheme to a future Executive.

4.2 Other discounts and Exemptions

4.2.1 The Council Tax system contains an extensive range of discounts and exemptions over which local authorities have no discretion.

4.2.2 These include exemptions from Council Tax liability for those residents with severe mental impairment, or where all residents are under 18, or are all students. These discounts are periodically reviewed to ensure continued entitlement, or where the number of claims from any particular group appears

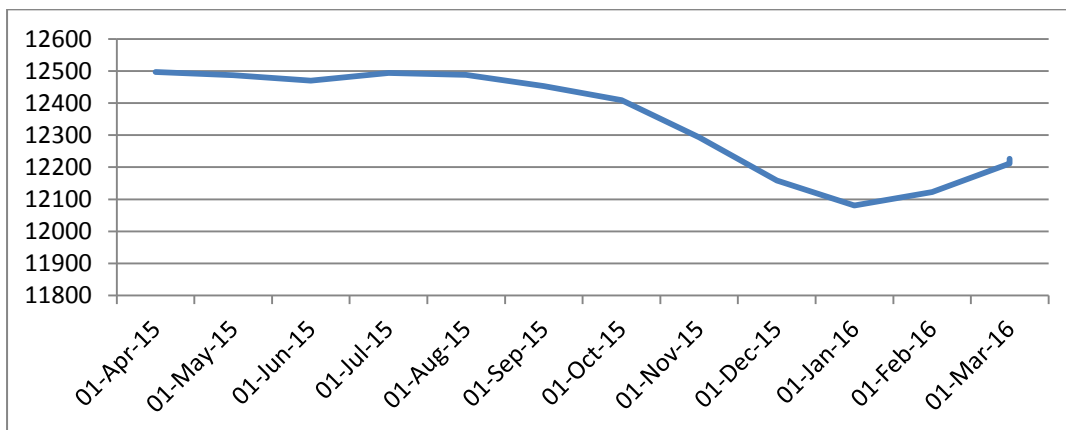
to change unexpectedly against any seasonal trend. Reviews are currently being carried out on properties left empty by deceased residents and those occupied by severely mentally impaired residents. Officers recommend that these exemptions are regularly reviewed.

4.2.3 Single Person Discount (25% reduction in the gross liability when there is only one adult in the property) equates to 10,545 band D properties, and costs over £4Million per year. At 1 March 2016 there were 12,211 single persons' discounts in place.

4.2.4 The Revenues & Benefits Service undertake regular reviews of awards using an external company that applies data matching technology to identify where evidence indicates the presence of a second adult in the property. The data matching exercise identifies which cases need to be reviewed, and this is usually in the region of 20% of the entire caseload. HCC also contribute to the cost of this exercise as the major preceptor, (2016/17, 77.8%). However for the 2015/16 exercise there were 467 cases where SPD was being claimed incorrectly or customers failed to respond to the survey despite reminders, and discounts were removed. Customers in receipt of CTS are reviewed separately and internal validation to CTS claims is carried out in addition to data matching.

4.2.5 The table below demonstrates the level of SPD's awarded in 2015/16 and the impact of the review (mid September and December).

Table 3: Single person discount awards



4.2.6 The steep rise in reliefs granted following the review is indicative of customers whose relief was removed because they failed to respond to the communications issued during the project, finally contacting the service when a revised bill was issued. 65.54% of all cases removed for no response reapplied after receiving a bill without the discount granted.

Table 4: SPD removed and then reclaimed

	Removed	Reclaimed	% reclaim
Removed after contacting agent	157	0	
Non returns removed	267	175	65.54%
Removed after contacting Council	105	0	
Total	529	175	65.54%

- 4.2.7 The audit commissions report “Protecting the public purse 2014” reflected that there is a high level of fraud and avoidance in SPD’s nationally.

‘Between 2009/10 and 2013/14, councils consistently detected more council tax discount fraud than any other type of non-benefit fraud. In the most recent year, nearly 50,000 cases were found, worth £16.9 million’.

‘One-third of households in England claim single person discount. Our research suggests that typically between 4 per cent and 6 per cent of households claiming single person discount do so fraudulently’.

Our work in reducing this is supported by SAFS (Shared Anti Fraud Service) and the current county- wide contract which assists with data matching reviews of Single person discounts.

- 4.2.8 However the level of ‘no response’ is an unacceptable high level of additional administration. Penalties of £70 per year can be levied on cases which fail to promptly notify the Council that they are no longer entitled to a discount or exemption, or fail to respond to a request for information when required. Officers support the use of penalties where there is considered to be an intention to obtain or retain a discount or exemption to which there is no entitlement.
- 4.2.9 The Council is faced with the challenge of losing considerable core funding over the next four years and it is the Assistant Director (Finance) view that as well as reviewing exemptions, discounts and changes to the CTS scheme it is essential that mandatory discounts which reduce the tax base are only applied to those that are eligible and the cost of the administering the scheme are minimised. In conjunction with the Shared Anti Fraud Service all avenues of prevention and detection are being explored to reduce the risks in this area and officers recommend prosecution in some cases where fraud is detected, and to publicise to act as deterrent.

Overview and Scrutiny Committee Members’ Views

- 4.2.9 Members asked how Single Person Discount is applied and what the process was if applicants did not respond to queries within 21 days. Members were concerned about people being on holiday or unable to read and therefore not

able to respond by the deadline and so incur a penalty. Officers advised Members that exemptions would be given on the grounds, for example: if the applicant was away from their property during the 21 day period or that the applicant could not fully comprehend the content of the written correspondence. In addition officers explained that the process for applying penalties for Single Person Discount recipients was different for those in receipt of Council Tax Support.

4.2.10 The Assistant Director advised Members that the Council had no discretion over the Single Person Discount which was a discount of 25% off Council tax but it reduces the Council Tax raised by £4Million per annum.

4.3. Reviewing Tax base

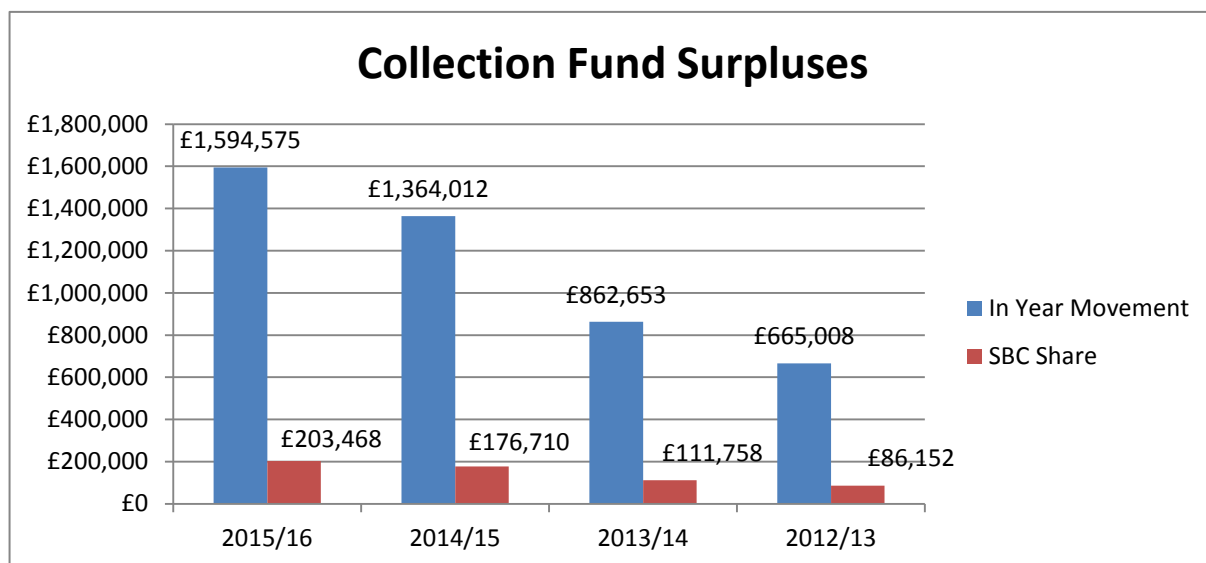
4.3.1 The tax base is an estimate of the number of properties on which a council tax charge can be levied in the financial year. In simple terms it is a sum of all the residential properties in the borough, less those which qualify for exemptions and discounts, (including council tax support), plus those new properties which will be chargeable during the coming year. Consideration then has to be given to how much of the tax base will be paid.

4.3.2 The tax base for 2015/16 was set at 25,207.4 Band D equivalent properties based on a 97.7% collection rate. A major component of the tax base is the cost of the council tax support scheme, which reduces the collectable income in the same way as the other discounts and exemptions.

4.3.3 At 31 March 2016 the tax base was 729.9 Band D equivalents higher than the original estimate for 2015/16. Of which 540 Band equivalents related to lower than estimated spend on CTS, (the remainder reflecting changes in other discounts). The tax base for 2016/17 has been set at 25,888.5 based on a 97.75% collection rate.

4.3.4 Since the introduction of CTS in April 2013 it has been difficult to project the tax base, planned for Government policies which are delayed or amended after the tax base is determined cause variances to projections. For instance proposed changes to tax credits, and uncertainty around the introduction of the new lower benefit cap to be introduced in the Autumn of 2016. The CTS scheme is by far the most volatile and distorting factor in the tax base calculation.

4.3.5 A reducing caseload for CTS has contributed significantly to in-year collection fund surpluses*. As shown in the following table:



**Surpluses are redistributed to each preceptor in proportion to their council tax*

4.3.6 Setting the taxbase is an estimate calculated and approved at the January Executive, the value of precepts levied is £37Million plus and some variations are likely to occur. Officers recommend that in calculating the CTS discount to be awarded an allowance is continued to be made for the estimated impact of any government welfare reforms based on the current caseload levels.

Overview and Scrutiny Committee Members' Views

4.3.7 The Overview and Scrutiny Committee Members had no further comment to add to that laid out in paragraph 4.3.6 above.

4.4 Arrears.

4.4.1 The taxbase collection rate recognises that not all of the estimated total liability will be collectable. This could be as a result of changes in the number and value of discounts granted, but mostly despite robust recovery processes not everybody will pay promptly.

4.4.2 The following table below demonstrates the arrears position at 31 March 2016 for each council tax bill year. The CTS column shows that part of the total arrears (pre and post CTS introduction) relates to customers who have been in receipt of CTS for any period since April 2013. Consequently the CTS column includes arrears accumulated before or after an entitlement to CTS.

Table 5: Council Tax arrears at 31.3.2016 are detailed below by year.

Year	All Customers (as at 31/3/2016)	CTS (as at 31/3/2016)
1999/00-2007/08	£175,960	£14,244
2008/09	£96,900	£10,925
2009/10	£132,012	£19,890
2010/11	£181,559	£41,154
2011/12	£230,159	£64,077
2012/13	£323,992	£86,334
2013/14	£487,114	£178,291
2014/15	£769,391	£293,731
Total excl. 2015/16	£2,397,088	£708,646
2015/16	£1,539,650	£445,408
Total arrears	£3,936,737	£1,154,054

4.4.3 Considering just those customers who have at any time been in receipt of CTS, the following table shows the value split between elderly and working age customers, (elderly claimants have entitlement to Council Tax support assessed on 100% of the net liability). Net liability refers to the liability after reductions for single person discount etc.

Table 6 : Split of arrears between Working Age and Elderly

Year	Working age claimants	Elderly Claimants	Total
1999/00-2007/08	£14,211	£33	£14,244
2008/09	£9,063	£1,862	£10,925
2009/10	£17,609	£2,280	£19,890
2010/11	£39,162	£1,992	£41,154
2011/12	£60,570	£3,507	£64,077
2012/13	£82,523	£3,811	£86,334
2013/14	£171,161	£7,130	£178,291
2014/15	£284,141	£9,590	£293,731
2015/16	£430,393	£15,015	£445,408
Total arrears	£1,108,833	£45,221	£1,154,054

4.4.4 The change in arrears outstanding for working age residents who have at some time been in receipt of CTS is shown overleaf at the end of 2014/15 and 2015/16. A small amount of the debt will have been written off.

Table 7: Change in arrears for Working Age customers

at 31.3.15	WA CTS
2013/14 liability outstanding	£ 272,948
2014/15 liability outstanding	£ 481,757
at 31.3.16	
2013/14 liability outstanding	£ 171,161
2014/15 liability outstanding	£ 284,141
2015/16 liability outstanding at 31.3.16	£ 430,393

- 4.4.5 This means that whilst recovery is being achieved on these outstanding balances, there is an increasing level of arrears to be collected from customers who have at some time received CTS.
- 4.4.6 At 31 March 2015, 820 Working Age (WA) CTS households had a balance outstanding at the end of the year (2014/15) greater than or equal to their initial net liability, indicating that they had not paid their liability and/or had incurred additional costs of recovery. At 31 March 2016 there are 657 working age CTS households where the outstanding liability is equal to or greater than their initial net liability for 2015/16.
- 4.4.7 CTS customers are most likely to have also been affected by other welfare reforms:
- 656 homes are currently (as at 1 May 2016) subject to the spare room subsidy restriction in the Housing Benefit (HB) regulations.
 - 502 of these are working age CTS claimants as well.
 - 80 of these households (16%) had CTS arrears equal to or greater than their liability for Council Tax in 2015/16. This means that they had not paid anything towards their Council Tax liability and or had costs added for failing to pay.
- 4.4.8 Based on the level of estimated arrears as a result of CTS the tax base only assumes that 70% of the in-year liability of working age CTS customers will be paid, compared to 98% of other council tax.
- 4.4.9 In 2015/16 The overall collection rate for Working Age customers in receipt of CTS at 31.3.16 was 73.13%. The collection rate for those working age customers who only had to pay 8.5% of their liability was 67.35%. The overall in year collection rate for all tax payers was 96.3%.

4.4.10 Officers recommend that any deduction for non-payment of CTS remains at 30% based on current trends and the number of cases not having paid any council tax.

Overview and Scrutiny Committee Members' Views

4.4.11 Members asked why some CTS cases had a higher liability at the year-end than the amount raised for the year. Officers advised Members that this was because summons costs would have been added to the account as a result of non payment.

4.4.12 Members were also concerned about the cumulative impact of non-payment and officers advised the Committee for the first year additional letters were sent and the recovery process extended to allow residents who had never paid any council tax before to adapt to the new system. However since then summons have been issued to those CTS cases who have not responded to contact with the Revenues service and who have not entered into an arrangement to pay any arrears or defaulted on arrangements previously made. In 2015/16 there were 2,551 cases where CTS was given and a summons raised. However some of these summonses will have been withdrawn later on responding to mitigating circumstances, and some will relate to the 2014/15 liability and others to the 2015/16 liability. In context 6,047 summons for council tax were raised in 15/16 in total (relating to various years liability).

4.5 Wider welfare reforms

4.5.1 The welfare reform agenda is constantly changing, with planned for changes being modified and reviewed, and this is why it is so difficult to predict the level of CTS spend (see also section 4.3). These proposed changes include;

- From April 2016 changes to Housing Benefit have been introduced to reduce entitlement for new claims (removal of the family premium) and for the period claims can be backdated.
- Social Sector tenants taking on or renewing a tenancy from 1 April 2016 will be subject to local housing allowance limits on their rent from April 2018, but those in supported accommodation will now only be affected if their take on or renew a tenancy after April 2017.
- The Benefit CAP is due for roll out in the Autumn of 2016, and will further reduce the income of families who claim benefit.
- Customers moving on to Universal Credit are experiencing a different form of entitlement with the added challenge of responsibility of paying their own rent. At the time of writing the report there were 12 universal credit cases of which nine are council tenants.

- The proposed 'pay to stay' scheme for social sector tenancies could see considerable increases in rent levels being charged from April 2017.

4.5.2 The impact of these reforms and others is likely to reduce the income of residents affected by them and accordingly put increased pressure on their ability to pay any Council Tax liability. This will lead to increased costs of recovery for both the resident and the Council.

4.5.3 Officers recommend that any proposed changes to the CTS scheme consider the impact of other welfare reforms and therefore the ability to collect any increases in CTS liability.

4.6 CTS scheme income & expenditure

4.6.1 The current scheme is assessed on 91.5% of maximum liability. For all working age customers this means that they have to pay at least 8.5% of their liability. This is demonstrated below.

Table 8: Annual value of 8.5% of liability by band

8.5% per year	2013/14/ 2014/15	2015/16	2016/17
Band A	£ 82.46	£ 83.72	£ 86.54
Band B	£ 96.20	£ 97.67	£ 100.96
Band C	£ 109.95	£ 111.63	£ 115.38
Band D	£ 123.69	£ 125.58	£ 129.81
Band E	£ 151.18	£ 153.49	£ 158.65
Band F	£ 178.66	£ 181.40	£ 187.50
Band G	£ 206.15	£ 209.30	£ 216.34
Band H	£ 247.38	£ 251.16	£ 259.61

Table 9 : Weekly value of 8.5% of liability by band

8.5% per week	2013/14/ 2014/15	2015/16	2016/17
Band A	£ 1.59	£ 1.61	£ 1.66
Band B	£ 1.85	£ 1.88	£ 1.94
Band C	£ 2.11	£ 2.15	£ 2.22
Band D	£ 2.38	£ 2.42	£ 2.50
Band E	£ 2.91	£ 2.95	£ 3.05
Band F	£ 3.44	£ 3.49	£ 3.61
Band G	£ 3.96	£ 4.03	£ 4.16
Band H	£ 4.76	£ 4.83	£ 4.99

4.6.2 Before the introduction of CTS the case load applying for council tax benefit was increasing. However since then the caseload has begun to reduce and estimates versus actual costs of discount granted is shown below.

Table 10: Estimate and Actual spend on CTS

Year	Estimated cost of CTS scheme	Actual cost of CTS scheme	Value of variance	SBC share	Total Collection fund surplus
2013/14	£ 7,002,424	£ 6,605,773	£ 396,650	£ 51,406	£111,748
2014/15	£ 6,892,704	£ 6,137,922	£ 754,782	£ 97,819	£176,710
2015/16	£ 6,700,958	£ 5,902,924	£ 798,034	£ 101,829	£203,468
2016/17	£ 6,236,794				

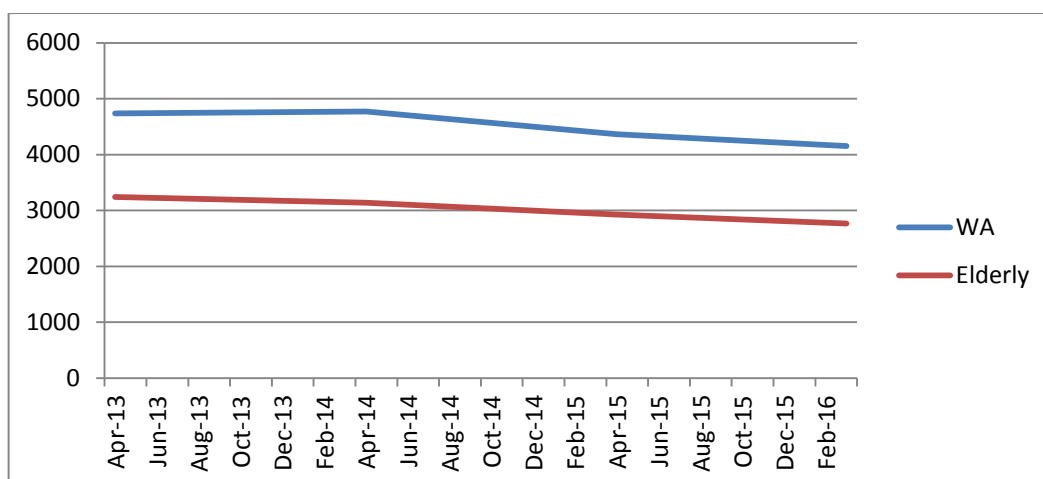
4.6.3 Putting these variances into context, they represent between 6% -13 % of actual spend. The 2016/17 scheme is estimated to cost £6.2Million which is an increase of £333,870 on the 2015/16 actual cost or 5.66%. However the impact of the 2016/17 net council tax increases will increase costs by 3.25%, leaving 2.41% or £142,260 for any fluctuations in the caseload or impacts of welfare reforms.

4.6.4 Calculating the total scheme cost, i.e. the cost of the CTS scheme versus the CTS grant given by the government is now impossible, as the grant has been subsumed within total RSG and NDR figures. RSG has been cut over the past few years and will be totally removed from 2019/20 for Stevenage Borough Council. The issue for members is to consider the councils overall financial budgetary position in the context of requiring General Fund savings of £1.484Million over the next three years and all the services it provides and therefore considering the level of charges to working aged claimants. The Financial Security work stream looks to address the budget gap however part of that work is looking fees and charges and a review of services.

4.6.7 The scheme for Elderly claimants (of state pension age) is still controlled by central government through prescribed regulations. The amount of CTS discount awarded could increase if there was an increase in the proportion of Elderly customers.

4.6.8 The proportion has changed marginally over time with 40.61% of claims in April 2013 being for elderly customers , and at 1 March 2016 only 39.61% from this group. The reduction may be attributed to the raising retirement age.

Chart 1 :Caseload movement and split between working age and elderly



4.6.9 Officers recommend that the proportion of elderly claimants is monitored during the year and is a consideration when calculating the value of CTS discount for the year.

Overview and Scrutiny Committee Members' Views

4.6.10 In response to Members' detailed questions on why the current trend for case load for CTS claimants was decreasing, officers explained that this was as a result of the impact of Central Government reforms reducing access to benefit for some claimants; such as the cap on the maximum available amount of benefit available per household and the spare room subsidy. Another reason given for some of the reduced caseload was that the economy was improving in some sectors providing increased access to work or training opportunities for some.

4.6.11 The Committee asked what was pensionable age and officers advised the committee this was somebody who has reached state pension age.

4.6.12 The Committee also asked why change the scheme? Officers reiterated the comments made in paragraph 4.6.4. All services should be considered for review and excluding one service increases the financial impact on others.

4.7 Options that could be considered in redesigning the Council Tax Support scheme.

4.7.1 There are a number of options that could be considered in redesigning the scheme, although all revisions would affect working age customers only and would require consultation with all taxpayers. The type of changes that could be made can be summarised as follows:

i. Re align the schemes:

Most recently the Government has introduced changes to the Housing Benefit regulations which are not currently mirrored in the CTS regulations. This means the schemes are no longer aligned. These changes include reducing

the period that a claim can be backdated, and removing the family premium for new claims (see 4.5.1). The financial implications across the caseload will be small, but changing the scheme so that these rules apply equally would reduce confusion for our customers. These changes would need to be consulted on and officers recommend that the schemes be realigned. This would be on new claims and the saving is anticipated to be small but will have an impact on claimants. Officers recommend this change.

Example of realigning Housing Benefit and Family Premium

The Government removed the **Family Premium** for new claimants to Housing Benefit after 1st May 2016, and for those existing claimants who become responsible for a child for the first time after 30th April 2016. The proposal is to re-align the two schemes, thus removing the Family Premium in these cases from 1.4.2017.

BEFORE: A couple with one child living in a band D property, with a net weekly income of £274.90, would qualify for £11.65 per week CTS when getting the family premium.

*AFTER: The same family would only qualify for £8.16 per week CTS when assessed without the family premium. **A difference of £3.00 per week.***

Overview and Scrutiny Committee Members' Views

Members asked for clarification, under housing benefit rules backdating for certain claims is one month as opposed to six months for CTS claims. Officers also advised the Committee that the impact of this change was not quantifiable in cost terms as it was difficult to ascertain how many backdated claims there would be, but it would be consistent for both housing benefit and CTS rules. The Committee concurred with the recommendation (for consultation purposes).

ii. Changing the level of “minimum payment” for all working age customers

The current scheme assumes that all working age customers are asked to pay at least something towards their Council Tax, and as described earlier the minimum payment is 8.5% of liability. The Council could consider making a change to that amount either by increasing or reducing the amount customers have to pay. The amount of money that could be saved if customers paid more towards their Council Tax is shown in the table overleaf.

	Options	Financial impact * (- = savings)	SBC share* (- = savings)
a	Claimant pays 10%.	-£ 60,832	-£ 7,707
b	Claimant pays 15%	-£ 212,145	-£ 26,879
c	Claimant pays 20%	-£ 362,262	-£ 45,899
d	Claimant pays 25%	-£ 510,974	-£ 64,740

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

Increasing the amount customers are required to pay would almost certainly impact on the amount collected requiring a need to increase further bad debt provision – those customers who are currently struggling to pay would be unlikely to pay more. There would also be increases in administrative costs of collection and potentially less collected and the actual cost of the scheme could increase. Although this is not recommended, it should be considered for consultation purposes to give an option which impacts on all WAC claimants, to counter the recommended options below.

The maximum amount of CTS awarded could be increased (the liability for the CTS claimant reduced) as shown in the table below.

	Options	Financial cost impact	SBC share of increased cost
e	maximum amount claimable 100%	£ 346,539	£ 43,906
f	maximum amount claimable 95%	£ 129,710	£ 16,434

Reducing the amount customers are required to pay would create a funding gap that the council – and other precepting bodies would have to meet in addition to the significant savings required by the General fund due to a reduction in grant funding. This is not recommended by officers.

Overview and Scrutiny Committee Members' Views

The Overview and Scrutiny Committee Members did not support increasing the cost of the liability to claimants. Nor did it support reducing the liability. The view was that the other preceptors (HCC and the HPA) who like Stevenage also face considerable central grant reductions were unlikely to agree to this as an option.

iii. Introducing a band cap (so limiting the amount that we would pay to a value of a lower property band, for example Band C)

In some Local Authorities, they have introduced a band cap where the scheme will only pay up to the equivalent of say a Band C property, even if you are in a higher banded property. The table demonstrates that this is unlikely to make significant changes to the overall cost of the scheme as the majority of those entitled will be within Band A-C properties anyway.

Chart 2 Number of Council Tax properties by band at 31.3.16

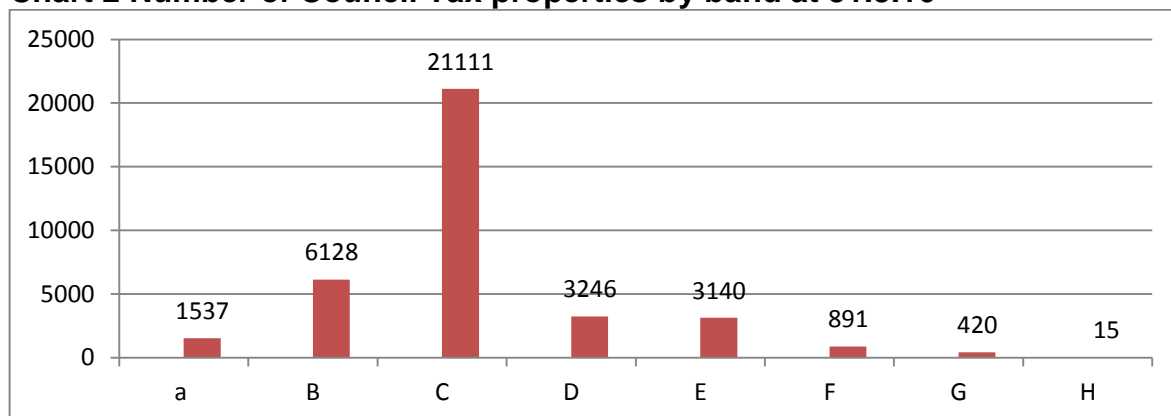
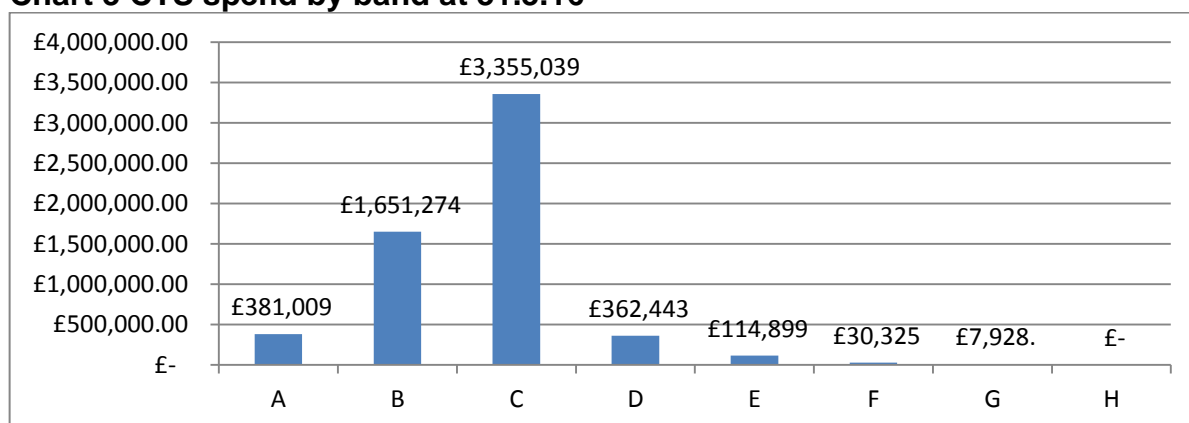


Chart 3 CTS spend by band at 31.3.16



The savings are shown in the table below.

	Options	Financial impact* (- = savings)	SBC share (- = savings)
g	Retain maximum liability at 91.5% but Cap this at a Band D property	-£ 32,041	-£ 4,059
h	Retain maximum liability at 91.5% but Cap this at a Band C property	-£ 58,979	-£ 7,472

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

Officers' view is this could disproportionately affect those with a requirement for a larger property as they have children, other dependents due to caring

responsibilities or a disability. These groups could already have been impacted by other areas of Welfare reform including the Benefit Cap and the Spare Room subsidy limitation. This is not recommended by officers.

Overview and Scrutiny Committee Members' Views

The Committee Members did not support either of these options.

iv. Introducing a minimum amount that the Council would fund

Some councils have introduced a minimum level at which they will support residents. For example you are entitled to £5 CTS per week and the threshold for any payment is £5.01 no CTS would be granted. There are no real savings in terms of administrative costs because an assessment would still be required to find out the amount of potential award. In addition, accessing a claimant as entitled to support indicates that they are financially vulnerable and the likelihood of being able to collect that additional amount from those residents is low.

	Options	Financial impact * (- = savings)	SBC share (- = savings)
i	Retain maximum liability at 91.5% but introduce minimum award at £5	-£ 34,991	-£ 4,433

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

Therefore the potential reduction in costs overall is minimal and outweighed by an increase in bad debt provision and recovery costs. This is not recommended.

Overview and Scrutiny Committee Members' Views

The Committee Members were advised that if the scheme identified that there was a need to provide support but the scheme disallowed it, it would be counterintuitive. The Committee Members did not support this as an option.

v. Changes around discretions for Disability, Children and other Dependents

This would change the nature of the scheme overall. Stevenage Councillors, when setting the original scheme recommended that, all would contribute equally as the core scheme already differentiates preferentially to those with disabilities, children etc.

Any complexity that is added to the way in which entitlement is calculated, will make the administration of the scheme both more complex for officers to manage both in terms of calculation but more importantly, to explain to our residents.

This would also mean that the general working age population may need to pick up an even greater share of the cost if the scheme is to remain affordable and equitable.

Overview and Scrutiny Committee Members' Views

The Overview and Scrutiny Committee Members agreed with the original principle that the benefit system already had protections for these groups. The Committee Members were also reminded that for passported claims from the DWP it was not apparent if they had any of the proposed characteristics making it difficult to assess the true cost of protection. That being said the Committee did not Support this as an option for consultation.

vi. Non Dependent Deductions -Second Adult Rebate

Second Adult rebate (SAR) If a householder whose income is too high to claim CTS, and who would otherwise be eligible for a single person discount (25%), has another person living in their home (not their partner) who is on a low income, they can claim 'Second adult rebate'. In simple terms the income of the second adult is used to assess any entitlement to CTS on 91.5% of the (up to) 25% of the total liability of the property. Removing this 'award' for working age claimants or working age 'second adults' reduces the amount of CTS granted.

For example:

A householder who would not be eligible for CTS lives in a Band D property with Council Tax of £1527.14 per annum. Because he lives alone he claims a 25% discount, worth £381.78 per annum.

His nephew comes to live with him, and he loses his 25% SPD. The nephew is on Income support and therefore the householder makes a claim for 'second adult rebate' on 25% of his liability. The CTS entitlement is calculated on the nephews income based on 91.5% of the 25% liability.

The amount of reduction in CTS spend and savings that could be made are shown overleaf.

The current non dependant deductions and the amounts costed in option K were based on deductions for both those in remunerative work and those in receipt of benefit. The reduction in the scheme costs for this option is shown below.

	Options	Financial impact * (- = savings)	SBC share (- = savings)
K	Retain maximum liability at 91.5% but introduce new non dependant deductions	-£ 59,506	-£ 7,539

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

Overview and Scrutiny Committee Members' Views

Officers recommended consulting on the changing non-dependent however did make an amendment to the option K. Members were of the view that only those claims for CTS, where there was a non-dependant in receipt of remunerative work (i.e. not receiving benefit via job seekers allowance etc.) should be adjusted. Removing the proposed charges for those below.

Table 11: Non dependant deductions proposal removed (option k)

Non-Dependant's Circumstances	Current Weekly Deductions	Proposed Weekly Deductions
	CTS	CTS
Not in Remunerative Work		
• Under 18 - regardless of income	NIL	NIL
• Under 25 - on IS/JSA(IB)/UC*	NIL	5.00
• 25 or over - on IS/JSA(IB)/UC*	NIL	5.00
• Getting PC (GC +/-or SC)*	NIL	5.00
• Getting Main phase ESA(IR)*	NIL	5.00
• 18 or over - not on IS/JSA(IB)/GC/UC *	3.77	5.00

A revised set of options is shown in the table below.

Table 11 A

Current scheme but with revised Non Dependant deductions

Non-Dependant's Circumstances	Current Weekly Deductions	Weekly Deductions option (i)	weekly Deductions option (ii)	weekly Deductions option (iii)
	CTS	CTS	CTS	CTS
Not in Remunerative Work				
<ul style="list-style-type: none"> 18 or over - not on IS/JSA(IB)/GC/UC 	£ 3.77	£ 3.77	£ 3.77	£ 3.77
In Remunerative Work and:				
<ul style="list-style-type: none"> Getting PC (GC +/-or SC) 	NIL	Nil	Nil	Nil
<ul style="list-style-type: none"> Over 18 and gross weekly income is: 				
▶ Under £133.00	£ 3.77	£ 10.00	£ 8.00	£ 6.00
▶ £133.00 - £194.99	£ 3.77	£ 10.00	£ 8.00	£ 6.00
▶ £195.00 - £252.99	£ 7.58	£ 15.00	£ 12.50	£ 10.00
▶ £253.00 - £337.99	£ 7.58	£ 15.00	£ 12.50	£ 10.00
▶ £338.00 - £419.99	£ 9.56	£ 25.00	£ 18.00	£ 12.00
▶ £420.00 or over	£11.45	£ 25.00	£ 20.00	£ 15.00

	Options	Financial impact * (- = savings)	SBC share (- = savings)
K (i)	Retain maximum liability at 91.5% but introduce new non dependant deductions	-£48,872	-£6,192
K (iii)	Retain maximum liability at 91.5% but introduce new non dependant deductions	-£38,927	-£ 4,932
K (ii)	Retain maximum liability at 91.5% but introduce new non dependant deductions	-£27,206	-£3,447

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

vi. **Capital Limits**

Claimants with capital (savings/property etc) in excess of £16,000 are ineligible for Council Tax Support. Reducing this limit reduces the amount of spend on CTS.

Currently if a claimant has savings over £16,000 they will not be entitled to Council Tax Support, this is on a tapering basis but any savings of less than £6,000 are completely ignored. Claimants who do not receive Income Support, income-based Jobseeker's Allowance or income-related Employment and Support Allowance need to provide details of theirs and their partners' capital. The definition of capital is complicated and includes:

- The bank or building society
- Shares
- National Savings Certificates
- ISAs/TESSAs
- Any property (except the one you live in) or
- Land you own
- Any other savings or capital

*(*See also background documents)*

These may be included in the calculation of Council Tax Support as tariff income the higher your tariff income the less benefit you could be entitled to.

Tariff income- If you have savings over £6,000 (the first £6,000 is completely excluded), over that, weekly tariff income is increased by £1 for every £250 of savings. So if you had savings £6,500, your tariff income would be £2.00 which is added to your overall income assessed for CTS. Members should be aware that the rules for pensioners are different. The amount of savings excluded is £10,000 (first £10,000 is free) and after that £1 for every £500 and not £250 as for working aged claimants.

Example

Couple live in a Band D property, working and Net income = £200.00 per week.
They have savings of £7,500

Council Tax Liability (Weekly) Band D = £29.29

Eligible for Support = £26.80 (91.5% of the bill)

Net Income = £200.00 plus

Tariff Income = £6.00*

(*£7,500 - £6,000 (disregard) = £1,500 difference therefore £1,500/£250 = £6)

Amount of income for maximum benefit (Applicable Amount) = £114.85

So the calculation for CTS is-

- £206.00 (tariff income) minus the amount for maximum CTS award £114.85 = £91.15 (excess income) which reduces down the CTS claim.
- £91.15 x 20% (taper applied to excess income) = £18.23

£26.80 (maximum CTS support) minus (excess income calculation) £18.23 = £8.57 (CTS)

So, in the example above if a claimant had £7,500 in savings, £6 per week is added to their assumed income figure when working out the Council Tax Support due.

Overview and Scrutiny Committee Members' Views

The Overview and Scrutiny Committee Members wanted clarity as to what was 'capital'. Did it include life assurance and pension accumulated? Officers advised Members that it did not include the primary home but could include a second home. The technical description of capital is shown in Appendix C. Since the Overview and Scrutiny Committee Members' meeting, officers have modelled savings at £8,000 and also at £10,000.

	Options	Financial impact* (- = savings)	SBC share (- = savings)
L1	Retain maximum liability at 91.5% but cap savings at £10k	-£ 30,944	-£ 3,920
L2	Retain maximum liability at 91.5% but cap savings at £8k	-£ 56,794	-£ 7,195

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

Officers recommend Members consider a cap on the level of savings.

vii. Other adjustments

There are a number of other component elements of the scheme that could be adjusted including income tapers, income disregards etc. but all would carry the same risk to bad debt provisions, potential recovery costs and costs of administration. The more complex the scheme, the more difficult it is to comply with and customers' levels of understanding could be compromised. This option is not recommended.

4.8 Other factors to consider;

4.8.1 The CTS should comply with the Government's key principles of protecting Pensioner claimants from changes, supporting work incentives, and has appropriate consideration of vulnerable groups. The manner in which this is achieved in relation to the DCLG policy Statement of Intent is set out below.

4.8.2 **Armed Forces Covenant** – The Covenant sets out the relationship between the Nation, the State and the Armed Forces and recognises that the whole nation has a moral obligation to members of the Armed Forces and their families, and it establishes how they should expect to be treated. It exists to redress the disadvantages that the Armed Forces community faces in comparison to other citizens, and to recognise sacrifices made. In some cases this will require special consideration, especially for those who have given the most such as the injured and the bereaved.

In consideration of the above the recommended scheme disregards war widow's, war widower's and war disablement pensions, guaranteed income payments (including survivor's guaranteed income payments under the Armed Forces Compensation Scheme) in full for working age claimants thus ensuring that receipt of these incomes does not impact upon their Council Tax Support entitlement.

It is also important to note that under Government regulations for pensionable age claimants, which will apply to all LAs, only £10 per week can be disregarded from the receipt of the above pensions. SBC currently exercises its discretion within the current legislation whereby these pensions are disregarded in full, and there is no proposal to change this.

4.8.3 **Child Poverty Act 2010** - The principles enshrined within the recommended CTS Scheme should support the objectives of reducing and mitigating the effects of child poverty through the following means:

- a) Child Benefit be completely disregarded as a claimant's income thus ensuring that their entitlement to CTS is unaffected by the receipt of this income.
- b) Premiums and allowances shall be used to determine a claimant's basic living needs, with amounts being determined for each child and young person resident in the claimant's household.

- c) The provision of disregards for child care costs will be applied within the scheme, up to a maximum prescribed level.

4.8.4 **Incentivising Work** – There is no proposal to change the provision of extended payments for the first four weeks after a claimant commences work, where they meet certain prescribed requirements through the recommended scheme.

4.8.5 **Protections Given** - Councils have introduced differing schemes across the County depending on the demographic of the CTS claimants, the financial position of the council and its political views, Other council schemes are shown in Appendix D.

4.8.6 At Stevenage Members have previously agreed no protection for individual groups, other than that required in law (pensionable aged claimants) is still valid. An example below demonstrates how the scheme differentiates.

Table 13: Example of scheme differentiation

Couple, with two children – one of which is entitled to Disability living allowance, with a weekly income of £496.70, made up of earnings and disability benefits, would qualify for £22.63 per week CTS if living in a band D property. The same household without a disability with the same income, would not qualify for any help. This is because the scheme disregards more of the income as well as using higher applicable amounts for the disabled household.

	Disabled	Not disabled
Income		
Earnings	380	462.3
DLA @ high rate	82.3	
Child benefit	34.4	34.4
Gross Income	496.7	496.7
<i>Income disregarded</i>	<i>141.7</i>	<i>59.4</i>
Net income used in assessment	355	437.3
<i>Applicable Amounts</i>	334.2	224.35
Income in excess of applicable amounts	20.8	212.95
Council Tax liability	29.28	29.28
91.5% of liability taper	26.79	26.79
	4.16	42.59
Weekly entitlement	22.63	0

4.8.7 Officers recommend that protection is not given to any claimant Group – a view that the Overview and Scrutiny Committee Members agreed with.

4.9 Recommended Scheme Changes and Scrutiny and Overview Committee Members' Comments

4.9.1 At the time the Overview and Scrutiny Committee Members considered the options it was clear the impact of combining one or all of the options. Some of the reductions are not mutually exclusive and since the meeting Overview and Scrutiny Committee Members, further modelling has been carried out to identify the likely impact on combination options (Table 14). The table has therefore been updated to show the results of combining:

1. Removal of second adult rebate with;
2. Changes to non-dependent deductions with;
3. Changes to the capital allowances.

Table 14: Options Costs and savings summary

	Options	Financial impact* (- = savings)	SBC share (- = savings)
1	Apply a 50% premium on long term empty properties	-£37,239	-£4,718
2	Remove the 10% discount on empty properties	-£32,000	-£4,054
	Consult on changes to the CTS scheme as follows;		
	Realign the scheme (ref 4.7.1 (i))	£0	£0
	Combined options: Based on the current scheme at 91.5%, the removal of the Second adult rebate and;		
C1	Capital limit of £8k and Non dependant deductions version (i)	-£ 80,271	-£ 10,170
C2	Capital limit of £8k and Non dependant deductions version (ii)	-£ 69,974	-£ 8,865
C3	Capital limit of £8k and Non dependant deductions version (iii)	- £ 57,924	-£ 7,339
C4	Capital limit of £10k and Non dependant deductions version (i)	-£ 73,594	- £ 9,324
C5	Capital limit of £10k and Non dependant deductions version (ii)	-£ 63,298	-£ 8,019
C6	Capital limit of £10k and Non dependant deductions version (iii)	- £ 51,247	-£ 6,492

**The value of potential savings has been reduced to reflect the proportion that is likely to be uncollectable.*

- 4.9.2 The reduction in scheme costs to Stevenage if a combination of all the options were chosen would mean a saving of £8,772 for changes to long term empty properties plus between a further £6,492 to £10,170 for the changes to the CTS scheme. The saving to all preceptors is in the range of £149,510 to £120,486.
- 4.9.3 Members may consider that the detrimental impact on CTS claimants outweighs the maximum saving of £10,170 to the council, (£80,271 all preceptors).
- 4.9.4 Although officers are not advocating an increase in the percentage in preference to the options listed below for consultation purposes the Assistant Director (Finance) recommends consulting on a 10% increase in the liability (from 8.5%) to give an option which would affect all WAC's as well as those with characteristics listed above.
- 4.9.5 The Overview and Scrutiny Committee Members did comment that it was difficult to ascertain the impact of the proposed changes without worked examples. Examples have been added to the report to aid Members understanding, however there are many different types of claimants.
- 4.9.7 The Overview and Scrutiny Committee Members concurred that organisations such as the money advice unit should be consulted in advance of the consultation. Officers suggested that this could be done as part of the consultation exercise.
- 4.9.7 For Members information the impact of a 10% increase in the liability for WAC's is illustrated in the table below

8.5% Liability			10% Liability		
8.5%	2016/17 per year	2016/17 per week	10%	2016/17 per year	2016/17 per week
Band A	£86.54	£1.66	Band A	£101.81	£1.96
Band B	£100.96	£1.94	Band B	£118.78	£2.28
Band C	£115.38	£2.22	Band C	£135.74	£2.61
Band D	£129.81	£2.50	Band D	£152.72	£2.94
Band E	£158.65	£3.05	Band E	£186.65	£3.59
Band F	£187.50	£3.61	Band F	£220.59	£4.24
Band G	£216.34	£4.16	Band G	£254.52	£4.89
Band H	£259.61	£4.99	Band H	£305.42	£5.87

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 The cost of the modelling by the software provider has cost £2,000 to date and in addition the cost of consultation is likely to be in the region of £5,000. Should Members recommend the options are consulted on, The Assistant director (Finance) would seek a contribution from the other preceptors to the costs outlined above.
- 5.1.2 In implementing the changes to empty property discounts in 2017/18 officers need to have minimised the cost to the HRA to ensure that overall it is a saving to the Council.
- 5.1.3 The savings identified for the Council based on a 70% collection rate and 12.7% of the overall savings are relatively low £6,492 to £10,170 for the changes to the CTS scheme.

5.2 Legal Implications

- 5.2.1 As detailed in the report

5.3 Equalities and Diversity Implications

- 5.3.1 The Equality Act 2010 S149 sets out the public sector equality duty which requires the Council, when exercising its functions (including those as an employer) to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimization and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
- 5.3.2 A draft EQIA for each element of the consultation (Appendix C1-C4) and is attached to this report and will need to be updated with any consultation results. The council must also pay regard to any countervailing factors, which it is proper and reasonable for them to consider. Budgetary pressures faced by the Council form part of the analysis shown in the equality impact assessment.

5.4 Risk Implications

- 5.4.1 As detailed in the report

5.5 Policy Implications

- 5.5.1 Once Executive approve any changes for consultation , early stage consultation will commence with HCC and HPA.

BACKGROUND PAPERS

- Definition of Capital under the CTS Scheme
- Audit Commissions report "Protecting the public purse 2014"
- Report on the Council Tax Support Scheme
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf

APPENDICES

- Appendix A- Glossary
- Appendix B- Recommendations to the Government from the Review of the CTS scheme
- Appendix C- EQIA
- Appendix D- Other Local Authority schemes

Appendix A GLOSSARY

IS	Income support
JSA (IB)	Job seekers allowance (Income based)
UC	Universal Credit
PC	Pension credit
GC	Guaranteed credit
SC	Savings credit
ESA (IR)	Employment support allowance (Income related)
WAC	Working Aged Claimant
SAR	Second Adult Rebate

Appendix B :

Recommendations to Government from review of Council Tax reduction schemes:

1. Government should remove the January 31st deadline for schemes to be agreed on, and replace it with a condition that councils have an LCTS scheme agreed and in place by the end of March each year.
2. Multi-year or rolling schemes should be allowed. Councils should be required to review their schemes at Full Council only when changes are being proposed.
3. The statutory consultation requirements should be clarified by Government, so that councils can take a less risk-averse approach. This should make consultations less burdensome on councils, and more engaging to residents.
4. DCLG should issue updates to the prescribed regulations sooner in the year, so as to inform local consultation. This could be a two-stage process, with policy intent provided in summer, and details and updates to regulations confirmed after the Autumn Statement.
5. Government should enable LCTS recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order. Safeguards should be put in place to ensure that individuals have had the time, information and capacity to consider the option and make an informed decision.
6. Government should work closely with councils to rectify data-sharing issues between council systems and Universal Credit systems, and to address concerns about how critical Government-held data will be shared with councils as Universal Credit is rolled out to LCTS recipients.
7. Government should consider localising at least part of the LCTS scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents.
8. Government should consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount.
9. Government should take steps to better understand the impact of LCTS on individuals and councils, widening the data it holds on LCTS. This will enable future policy evaluation.
10. Government should commission in-depth academic research on the impact of LCTS within the wider context of other welfare and socioeconomic changes.
11. Government should be transparent about how much funding for LCTS is paid through Revenue Support Grant, and it should be explicit about the future funding of LCTS schemes, including any expectations on how LCTS should be locally funded.
12. Government should require councils to clearly state how much funding they intend to pass on to parishes as part of their consultation on LCTS schemes.
13. Government should improve its engagement and ongoing dialogue with local government on LCTS. This could be done via an updated and more transparent Council Tax Partnership Forum, or by setting up another forum for this purpose.
14. Government should confirm that LCTS will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.