

Report to the Cabinet

Report reference: C-044-2014/15
Date of meeting: 1 December 2014



Portfolio: Finance

Subject: Local Council Tax Support Scheme 2015/16

Responsible Officer: Janet Twinn (01992 564215).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Cabinet note the responses to the consultation on the scheme for 2015/16; and**
- (2) That in view of the consultation responses and the experience of the first two years of the scheme, no changes be made to the scheme for 2015/16, other than the annual uprating of premiums, allowances, non-dependant deductions and any changes to the national pension age scheme that need to be reflected in the Council's scheme.**

Executive Summary:

As part of the major changes to the Welfare Benefits system, from 31 March 2013 Council Tax Benefit ended and was replaced by a new scheme called Local Council Tax Support (LCTS). A key principle of the scheme was the protection of people who are of an age where they can claim Pension Credit. The Government introduced Regulations to ensure that pensioners who previously received Council Tax Benefit have continued to receive the same level of assistance they had prior to LCTS being introduced.

The Pan Essex LCTS project group, comprising of all the billing authorities and the unitary authorities in Essex, was created in January 2012 to devise a modular approach upon which all Essex authorities could base their local schemes according to local needs. The precepting authorities of Essex County Council, Essex Fire Authority and Essex Police have been involved from the beginning of the project. The project is managed by the Benefit Managers under guidance from the Essex Finance Officers Association.

Council approved the Epping Forest LCTS scheme for 2013/14 in December 2012, and, following consultation during 2013/14, Council approved an unchanged scheme 2014/15. On 21 July 2014, Cabinet approved the general principle that the Local Council Tax Support scheme for 2015/16 should aim to be cost neutral for the Council and that public consultation should be undertaken on certain elements of the scheme. Consultation on the 2015/16 scheme was undertaken from 29 August 2014 to 19 October 2014. Following the consultation period Members now need to approve the scheme for 2015/16 and decide whether the scheme should remain in its current form for 2015/16 or whether any amendments should be made.

Reasons for Proposed Decision:

If any changes are to be made to the current scheme either for financial or other reasons, full Council needs to approve the final scheme on 16 December 2014.

Other Options for Action:

If the Council does not approve any amendments to the scheme by 31 January 2015, the existing scheme will have to continue.

Report:

Proposed Local Council Tax Support Scheme 2015/16

1. In 2013/14, the Government funded LCTS with a specific grant, but after that initial year, the funding has been rolled into the Council's overall funding position made up of Revenue Support Grant and locally retained business rates. The specific allocation for LCTS funding is therefore not identifiable, but the overall package has been reduced in 2014/15 and will reduce again in 2015/16. The Department for Communities and Local Government have stated that Members will need to decide on the value of the funding to be used for LCTS.

2. It is proposed that the Epping Forest LCTS scheme for people of working age continues for 2015/16 with the same scheme as for 2014/15 other than the annual uprating of premiums, allowances, non-dependant deductions and any changes to the national pension age scheme that need to be reflected in the Epping Forest scheme.

3. After operating the same scheme for two years, if the current scheme is retained for 2015/16, it will bring some stability for current recipients of LCTS as they will know approximately how much LCTS they will receive and how much Council Tax they will have to pay. There were relatively few queries and complaints in April 2014 when people received their Council Tax demands because people were already familiar with the Council's scheme.

4. The Pan Essex LCTS project group has been looking at how schemes can be changed to both simplify the administration of the schemes and to make further cuts in expenditure on the schemes. However, there are several issues that need to be considered if schemes were changed significantly from the current means testing schemes. The future is uncertain for the benefits provision within Local Government and, whilst local authorities still have Housing Benefit and a specified means testing scheme for people of pensionable age, it is not appropriate to significantly change how LCTS is administered and calculated. In addition, the Department for Communities and Local Government have undertaken to carry out a review of LCTS during 2015/16 and there is also a lack of clarity about long term funding of the scheme and political uncertainties arising from a general election in May 2015.

5. Consultation was undertaken to specifically look at proposals to reduce expenditure on the current working age scheme. The two specific issues were to either change the maximum percentage that people of working age can receive from the current 80%, and/or the inclusion of Child Benefit in the calculation of LCTS entitlement. Child Benefit always used to be included in the calculation of Council Tax Benefit until the previous Government decided that it should be disregarded. It is however an income into a household which may not be available to other households who have to pay the same amount of Council Tax.

6. Currently, the total expenditure on LCTS is £7,009,000, which is made up of £3,913,000 for elderly recipients and £3,096,000 for working age recipients. It was anticipated that expenditure on the current scheme would total £7,500,000 for 2014/15 and therefore there is an underspend which is primarily due to a decrease in the caseload. The total number of recipients of LCTS has fallen from 8417 in April 2013, to 8132 in March 2014 and, in September 2014, the caseload has reduced further to 7819. If this trend of a reduction in the caseload continues, there will be a reduction in LCTS expenditure without having to make changes to the current scheme to reduce expenditure. Based on the current caseload, if the scheme was not changed, the expenditure will be in the region of £6,800,000.

7. If the scheme is changed to achieve further savings, a change to the maximum percentage of 80% for working age recipients would achieve approximately £40,800 savings per 1%. The inclusion of Child Benefit in the calculation without changing the maximum percentage would achieve savings of £199,000, whilst the inclusion of child benefit and a

change to the maximum percentage, would achieve savings of approximately £199,000 plus £40,000 per 1%.

8. As the major impact of any further reduction in LCTS will be on low income working age families, there is a risk of a reduction in the collection rate should this group be asked to pay considerably more towards their Council Tax. With the Government Welfare Reform initiative that is ongoing, it is this same group who are most affected by the social sector under occupancy rule and benefit 'capping'. If there is a significant reduction in the amount of support, there will become a time where people who were paying their Council Tax, albeit that it was difficult for them, will not pay at all because the total amount is impossible for them. The savings outlined above can only be achieved if those sums can be collected.

9. The draft scheme for 2015/16 is shown in appendix 1. The scheme cannot be finalised until the uprating of allowances and premiums by the Department for Work and Pensions, and the Prescribed Requirements Regulations from the Department for Communities and Local Government, are laid before Parliament. These are expected to be late in November / early December.

Consultation

10. If Members wish to make any changes to the current scheme, we must consult on those changes with the major preceptors (County Council, Police & Fire Authorities) and the public. This includes any changes to make the scheme more beneficial to certain groups as this may have a negative impact on other groups, including taxpayers that do not receive any LCTS. Essex County Council finance officers have attended the majority of the Pan Essex LCTS project group meetings and the Police and the Fire Authority are invited and receive minutes of all the meetings. The Pan Essex Benefit Managers report to the Essex Finance Officers Association where representatives of all the major preceptors are usually in attendance. The Essex Finance Officers Association in turn reports to the Essex Strategic Leaders Forum. The major precepting authorities have therefore been consulted and have indicated that provided the schemes aim to be cost neutral, they will not object to the schemes.

11. Consultation with the public was carried out from 29 August 2014 to 19 October 2014. The consultation was asking for views specifically on retaining the current scheme for 2015/16 and whether the maximum percentage should be changed and/or child benefit included.

12. Some Essex Authorities have already decided that they will not be changing their LCTS scheme for 2015/16 and have therefore not undertaken any consultation. The other Essex Authorities have been undertaking their own consultations during a similar period. The consultation process was the same as in the previous two years where each Authority has published information on their proposals on their website with a link for responses to Essex County Council who have co-ordinated the responses. People who do not have access to the internet or who wished to give a more detailed response were able to do so directly to the Council.

13. A total of 58 responses were received to the consultation which, although disappointing, is in keeping with the response levels of the other Essex Authorities (and is higher than the 41 responses which were received last year). The results of the consultation are shown in Appendix 2. Respondents were also able to give any additional comments which varied from comments that LCTS needed to be increased, not reduced, that the Council can find savings from elsewhere without penalising the poor, all income should be included so that there is an even playing field for a means tested benefit and that people of pension age should not be protected. Overall the responses to the consultation that were received did not highlight any issues that would give cause to make major changes to the scheme.

14. The Epping Forest Citizens Advice Bureau submitted a more detailed response and it was felt to be appropriate to meet with the Area Manager to discuss points raised in their

consultation response and to advise them of what the Council has already been doing. They had suggested that savings could be made by reducing Council Tax discounts on empty properties and second homes, but both of these have already been reduced, effective from April 2013. They also suggested that more flexible payment arrangements could be introduced, that there could be early intervention for non-payers and more time before a summons is sent. As part of a business case to the major preceptors, funding was secured from April 2013 for dedicated Officers to deal specifically with recipients of LCTS, and this has proved very successful with the Council Tax collection rate being higher than anticipated. We do have a dedicated Vulnerable Person Officer who works with people who are struggling to pay their Council Tax and we do set up payment arrangements that are flexible to suit individual taxpayers. We have also had special Court dates for LCTS recipients to enable the Council Tax Officers to deal specifically with people who have been unable to pay. Another suggestion of the Citizens Advice Bureau was to increase the non-dependant deductions for working age claimants. However, the current level of deduction that is applied can be as high as £11.25 per week. We have not consulted on an increase in the non-dependant deductions and therefore we could not implement this for 2015/16, but it is considered that it would be unreasonable to ask non-dependants to pay significantly more than this amount each week to help to pay the home owners Council Tax liability. Where a person is also a tenant, the current non-dependant deductions can be as much as £102.40 per week that a non-dependant is expected to contribute towards just the rent and Council Tax each week, without any other expenses such as food and fuel. The current non-dependant deductions have caused rifts within families and therefore this is not an option that is reasonable to pursue.

Resource Implications:

LCTS scheme for 2015/16:

From 2014/15 the funding has been rolled into the Council's overall funding position made up of Revenue Support Grant and locally retained business rates. The actual amount of funding for LCTS is therefore not identifiable within the settlement figures, although the overall package has been reduced. In view of the decrease in the caseload, a level of savings can be achieved just by keeping the scheme the same and cost neutrality should still be achieved.

The LCTS scheme needs to be designed to ensure, as far as possible, stability and sustainability in the Council's finances. LCTS is not a benefit and it is treated as a discount within the Council Tax calculations. This means that the Council's taxbase will reduce (as will the taxbase for all other preceptors) but the funding from the Government should cover the lost Council Tax income.

Exceptional Hardship Fund: In 2013/14 and 2014/15 there has been a small hardship fund to assist households which have been experiencing exceptional hardship. It is anticipated that the current year's budget for this fund will be adequate. The County, Fire and Police are all contributing towards this fund and they have agreed that they will continue with those contributions for 2015/16.

Legal and Governance Implications:

There is a legal requirement to make a LCTS scheme under the Local Government Finance Act 2012

Safer, Cleaner and Greener Implications:

There are no specific implications.

Consultation Undertaken:

Consultation has been undertaken with ECC, the Police and Fire authorities and the public.

The results are detailed in this report.

Background Papers:

Council report 17 December 2013

Cabinet report 21 July 2014 and 8 September 2014

Risk Management:

There are a number of financial risks associated with the LCTS scheme. Monitoring against the taxbase and collection is continuing but no major problems have been identified to date. LCTS expenditure in 2013/14 showed an underspend with regard to anticipated expenditure and an underspend is also anticipated for 2014/15. The caseload is continuing to reduce and providing that this trend is not reversed, LCTS expenditure will be reduced in 2015/16.

Consultation: Consultation on LCTS has been undertaken as outlined in the Welfare Reform Act 2012.

Demand Risk: The Government grant in 2015/16 is not clearly identifiable and there is a possibility that demand and eligibility for financial support under the LCTS for 2015/16 may be greater than in 2014/15, particularly if economic conditions worsen. The cost of additional discounts would be borne in proportion by the major precepting authorities (ECC, Police, Fire, EFDC). Conversely if demand falls (e.g. if economic conditions improve), the additional saving would be realised by the same authorities.

Inflation Risk: Council Tax freezes by Epping Forest District Council have operated in the last four years although the other preceptors did increase their Council Tax in 2014/15. Any increase in the Council Tax by County, Police, Fire, District or parishes, will result in the cost of the LCTS scheme increasing.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

Local Council Tax Support Scheme

Background: The Local Council Tax Support Scheme is designed to help those of working age on a low income. If any changes are to be made to the Council's existing scheme, consultation must first be undertaken.

Report:

Any reduction in the amount of Local Council Tax Support payable is likely to impact on families with children of school age or disabled people who are more likely to have a fixed or lower income, and claimants from ethnic minorities whose families tend to be larger

If the level of Council Tax liability increases above affordable levels, there is a risk that people may have to leave their homes and move to cheaper properties, which may be some distance away. For children of school age this may mean they have to change schools which may cause disruption to their education; for disabled people this may mean that they are separated from their friends and families who may provide support and assistance to their daily lives; and for people from ethnic minorities who may also may be separated from their extended families. Some recipients may get into debt.

There are just under 4000 people of working age who would be affected by changes to the current scheme. These include families with school age children, people with disabilities and people from ethnic minorities.

A number of measures are being taken to mitigate the potentially negative impacts of the scheme:

- Consultation has not been restricted to certain groups. Anyone was able to respond, including local taxpayers who are not LCTS recipients, and any organisation who provides support to vulnerable people.
- Additional resources have been directed towards people affected by providing them with information about alternative housing and help with financial management, as well as help and advice with payment plans to pay their Council tax liability.
- The scheme spreads the changes as widely as possible to reduce inequalities;
- The Exceptional Hardship Fund will assist people with the most exceptional circumstances.

Equality of opportunity is built into the system via The Exceptional Hardship Fund. Premiums for children and disabled persons are included in the calculation of entitlement, which provide some additional support to these groups.

1: Should the Council make any changes to the existing Local Council Tax Support scheme?		
	Response Total	Response Percentage
Yes	25	44%
No	25	44%
Don't know	7	12%
	Total Respondents	57

2: If the Council has a reduction in the Government funding for Local Council Tax Support, how should the Council fund the shortfall?			
	Yes	No	Response Total
Change the scheme to reduce the amount of LCTS paid?	29.41% (15)	70.59% (36)	51
Increase the Council Tax	16.33% (8)	83.67% (41)	49
Cut services provided by the County, District, Town & Parish Councils	32% (16)	68% (34)	50
	Total Respondents		57

3: Currently the maximum Local Council Tax Support that can be paid to people of working age is 80% of their Council Tax liability. If the Council has to make changes to the scheme, should the maximum percentage be reduced to fund the shortfall?		
	Response Total	Response Percentage
Yes	13	23%
No	43	75%
Don't know	1	2%
	Total Respondents	57

4: Currently Child Benefit is not counted as income for Local Council Tax Support yet it is income that is actually received. Should Child Benefit be included as income for Local Council Tax Support?		
	Response Total	Response Percentage
Yes	19	33%
No	36	63%
Don't know	2	4%
	Total Respondents	57

5: In 2013/14 there is a small Exceptional Hardship Fund to help people to pay their Council Tax where they are experiencing severe hardship. Should this fund be continued in 2014/15?		
	Response Total	Response Percentage
Yes	38	67%
No	12	21%
Don't know	7	12%
	Total Respondents	57