

Report to the Cabinet

Report reference: C-010-2016/17

Date of meeting: 21 July 2016



**Epping Forest
District Council**

Portfolio: Finance

Subject: Local Council Tax Support Scheme 2017/18

Responsible Officer: Janet Twinn (01992 564215).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That Members confirm that a public consultation exercise on the 2017/18 scheme is undertaken between August and October 2016;

(2) That the following elements of the scheme be approved for consultation purposes:

(i) that a general principle is that the Local Council Tax Support scheme for 2017/18 should aim to be cost neutral for the Council;

(ii) to seek views on alternative funding options for the Local Council Tax Support scheme if the scheme is not cost neutral;

(iii) the removal of the Family Premium in the calculation for new claimants in line with other Welfare Reforms;

(iv) reducing the period allowed for backdating to one month in line with other Welfare Reforms;

(v) limiting the number of dependant additions to a maximum of two for all cases where dependants are born on or after 1 April 2017, in line with other Welfare Reforms; and

(vi) withdrawal of Local Council Tax Support where a person leaves the UK for 4 weeks or more in line with other Welfare Reforms.

Executive Summary:

On 15 December 2015, Council adopted the Local Council Tax Support scheme for 2016/17. Consideration now has to be given to the scheme for the financial year 2017/18 which will require approval by full Council in December 2016.

It is necessary to undertake public consultation on the Council's scheme each year before the scheme is adopted by Council. In view of the timescales, it will be necessary for the consultation to be undertaken between August and October 2016 in order to ensure that the Authority will have consulted correctly and that Council can adopt the scheme at the December meeting.

Reasons for Proposed Decision:

The judgement given in the case of R v London Borough of Haringey on 29 October 2014, highlighted the requirement for Local Authorities to consult on their scheme annually, whether they intend to make any changes to their Local Council Tax Support scheme or not. The judgement also made clear that in their consultation, Local Authorities also needed to consult on how the scheme is to be funded. Respondents should be given the opportunity to give their views on whether the scheme should be cost neutral, or, if not, whether the scheme should be funded by making cuts to the scheme, increasing the Council Tax, cutting other Council services, or using Council reserves. The Council's scheme must be agreed by full Council and be in place by 31 January 2017.

In view of the timescales, consultation needs to be undertaken between August and October 2016. If consultation is commenced later, it will not be possible to complete the consultation and make any amendments to the scheme in time for a further report to Cabinet on 1 December 2016.

Other Options for Action:

Cabinet could either decide not to carry out a consultation exercise for the 2017/18 Local Council Tax Support scheme, or that consultation should only be carried out on potential changes to the scheme, not the funding of the scheme. However, bearing in mind the judgement in R v London Borough of Haringey, the Council could be judicially reviewed.

Report:

Local Council Tax Support Schemes from April 2013

1. Local Council Tax Support replaced Council Tax Benefit with effect from 1 April 2013. People of pension age continue to be protected from adverse changes as required by the Government, although the Government can introduce legislation to change the scheme for people of pension age. Every Local Authority must then amend their scheme to reflect the legislative changes. For people of working age, the Council has adopted a scheme which has the following key elements:

- The calculation of support is based on 75% of the Council Tax bill, rather than 100%. This was 80% for the years 2013/14, 2014/15 and 2015/16 but reduced to 75% from April 2016.
- The calculation of support is based on a maximum of a band D property. This means that anyone of working age that lives in a property with a Council Tax Band of E, F, G, or H, has their support calculated as if their property was a band D.
- Inclusion of child maintenance in the calculation with a disregard of £15 per week (per family). This is income that is received into a household that may not be available to other households that pay the same amount of Council Tax.
- The capital limit is £6,000, so those with capital exceeding £6,000 are required to make full payment of their Council Tax liability.
- A minimum award of £0.50 per week. This is in line with the minimum award in Housing Benefit.
- The period of backdating (with good cause) is 3 months. This is in line with the time limit for pensioners.
- A Minimum Income Floor for claimants who are self-employed (from April 2016). Where the declared income from self-employment is less than the National Living Wage, income is assessed using the National Living Wage instead. This is in line with

- other welfare reforms.
- The Exceptional Hardship Scheme for LCTS is intended to support people whose individual circumstances mean that their Council Tax liability is causing them exceptional hardship.

2. The scheme was designed to take into account the ability to pay and the collectability of the resultant Council Tax liability. Across Essex, annual collection rates have been higher than originally anticipated, which is due partly to the caseload decreasing as the economy recovers, but also due to the proactive work that Officers have undertaken with people affected by the Local Council Tax Support scheme. In the first year of the scheme, there were relatively few complaints about the scheme itself and there is an acceptance by people that they need to pay something. As the scheme was unchanged in 2014/15 and 2015/16, there was only a minimal amount of customer contact about the scheme itself. When the scheme was changed for 2016/17 there were some complaints from people who are self-employed, but very few people have complained about the reduction in the maximum amount of support that they can receive. Council Tax Officers have been pro-actively contacting people and have set up special arrangements to help people who do not receive their income on a monthly basis. The scheme design has therefore been successful to date.

Consultation for 2017/18

3. In view of the judgement in R v London Borough of Haringey, it is clear that consultation is required whether changes are to be made to the scheme or not. Although at present, it is not proposed to make any major changes to the scheme for 2017/18, there are some changes which should be considered and therefore it is recommended that consultation is undertaken on these issues.

4. If it becomes necessary to make further cuts to the expenditure on Local Council Tax Support, the maximum Support payable for people of working age could be reduced from 75% to a percentage that would achieve the required savings. However, although collection rates have been better than expected, if the scheme is changed and people have to pay more, there will become a point at which collection rates will significantly reduce as the liability becomes too much and people stop paying altogether. Consultation will be required on this particular aspect of the scheme, together with options for alternative funding arrangements, rather than making savings through the scheme itself.

5. The Government has introduced legislation to make some changes to both the Housing Benefit scheme, and the Local Council Tax Support scheme for people of pension age. Housing Benefit is calculated at the same time as Local Council Tax Support and therefore it is reasonable to align the rules for claiming Local Council Tax Support with those of Housing Benefit. Similarly, it is reasonable to align the scheme for people of working age with the scheme prescribed by Government for people of pension age. By aligning the schemes, the administrative burden on the Authority would be greatly reduced, and it would be aligning our scheme with other Government Welfare Reforms. It is also less confusing for claimants to have a consistent approach to entitlement, rather than having different rules depending on a claimant's age, or the type of scheme administered by the Authority.

6. There are four changes in the Housing Benefit legislation and the Local Council Tax Support scheme for people of pension age, for which it is recommended that consultation is undertaken.

- The removal of the Family Premium in the calculation for new claimants. This change has already been implemented from 1 May 2016 in the Local Council Tax Support scheme for people of pension age and therefore this would be making this aspect of the scheme equal, regardless of age.

- Reducing the period allowed for backdating to one month. This was introduced in the Housing Benefit scheme from 4 April 2016 and this is therefore in line with other welfare reforms.
- Limiting the number of dependant additions to a maximum of two for all cases where dependants are born on or after 1 April 2017. As part of the calculation, there are additions for dependant children and this proposal is to limit the number of additions when new children are born. Legislation is already in place to apply this restriction to the Local Council Tax Support scheme for people of pension age, and also to all Housing Benefit cases.
- Withdrawal of Local Council Tax Support where a person leaves the UK for 4 weeks or more. This is a change that was originally due to be implemented in the Housing Benefit scheme from April 2016. It was then delayed until May 2016 but has now been delayed further until later in the year. The Government's intention is to implement this change and therefore we should consult if we want to align Local Council Tax Support with Housing Benefit.

7. The Essex Authorities have continued the joint work that they have carried out to implement their schemes for the last four years. Meetings take place on a monthly basis and ECC regularly attend these meetings. Although the Police and Fire Authorities are invited, they rarely attend because ECC act as their representative and they are sent minutes of these meetings. In this way, the requirement to consult with major precepting Authorities is met.

8. It is proposed to carry out public consultation for the 2017/18 scheme between August and October 2016. Essex County Council have previously hosted the on-line consultation for the Essex Authorities and they have agreed to also host the on-line consultation for 2017/18. For anyone who does not have access to the internet, the ability to respond in paper format will be made available.

Resource Implications:

The cost of consultation on the Local Council Tax Support scheme for 2017/18 will be met from existing budgets.

Legal and Governance Implications:

There is a requirement for consultation to be undertaken on the Council's Local Council Tax Support scheme each year.

Safer, Cleaner and Greener Implications:

There are no specific implications.

Consultation Undertaken:

Consultation has been undertaken with ECC and the Fire and Police Authorities through the regular meetings with the Essex Benefit Managers. The proposed amendments and funding arrangements for the scheme will be subject to public consultation as set out in this report.

Background Papers:

Report to Council 15 December 2015.

Risk Management:

A risk register was produced as part of the process for devising the Local Council Tax Support scheme. It has not been necessary to make any amendments.

Caseload growth risk

If more people become eligible to claim LCTS e.g. because of economic downturn, then the cost of the scheme will increase. However caseload has been reducing as the economy has improved.

Collection risk

If there is a reduction in the maximum percentage of Council Tax liability that is eligible for Local Council Tax Support, the impact of the scheme is that low income working age households have to pay a proportion of their Council Tax liability. Inevitably there will be bad debts but the collection rate has been higher than anticipated. However, there will be a point where people are asked to pay more Council Tax, therefore making the liability too high for them, that they will not make any payments at all.

Funding reduction risk

The LCTS component of the Local Government Finance Settlement will reduce again in 2017/18. This could lead to either making changes to the LCTS scheme to reduce expenditure or to make savings elsewhere either from Council budgets, increasing the Council Tax or using Council reserves.

Precept increase risk

LCTS costs will increase if any of the precepting Authorities increases their Council Tax.

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 **unlawful 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.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering 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:

The financing of the Local Council Tax Support scheme is a matter for all council taxpayers, not just people who currently receive LCTS. In order to ensure that consultation is open to everybody, the consultation will not be restricted to just certain groups. We will be promoting the consultation through both the Council website and the Essex County Council website, messages on emails, notices with Council Tax demands sent during the period of consultation and posters in reception areas. Anyone will be able to respond, including local taxpayers who are not LCTS recipients, and any organisation that provides support to vulnerable people.

The scheme (not the consultation) 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.

There are just fewer than 3,500 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. 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.

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

- Additional resources have been directed towards people affected by providing them with information about alternative housing and help with financial

- management;
- 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.