

## **Report to the Cabinet**

**Report reference: C-010-2013/14**

**Date of meeting: 22 July 2013**



**Epping Forest  
District Council**

**Portfolio: Finance and Technology**

**Subject: Local Council Tax Support Scheme 2014/15**

**Responsible Officer: Janet Twinn (01992 564215).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That the Local Council Tax Support scheme for 2014/15 should be cost neutral for the Council be agreed as a general principle;**
- (2) That the undertaking of a public consultation exercise on the 2014/15 scheme in August/September 2013 be confirmed;**
- (3) That the consultation should specifically include:
  - (a) the percentage of support provided for working age people; and**
  - (b) whether child benefit is included in the entitlement calculation; and****
- (4) That the Chairman of the Council be requested to waive the call in arrangements for this decision due to its urgency as any delay would prejudice the Council's interest.**

### **Executive Summary:**

On 18 December 2012, Council adopted the Local Council Tax Support scheme for 2013/14. Consideration now has to be given to the scheme for the financial year 2014/15 which will require approval by full Council in December 2013.

If the current scheme is to be amended, it will be necessary to undertake public consultation on any proposed amendments before the scheme for 2014/15 can be adopted. In view of the timescales, it will be necessary for the consultation to be undertaken during August and September 2013. Although the preferred option is to make no changes to the current scheme, further savings may be required when the details of the Local Government Finance settlement for 2014/15 are known later in the year. As there will then be no time for a public consultation period after publication of the Local Government Finance Settlement, it is advisable to carry out a consultation exercise prior to that in order to ensure that if further cuts to Local Council Tax Support need to be made, the Authority will have consulted correctly.

### **Reasons for Proposed Decision:**

The Council is required to undertake consultation prior to agreeing any major amendments to

the Local Council Tax Support scheme. If amendments are to be made for 2014/15, the revised scheme must be agreed by full Council and be in place by 31 January 2014.

In view of the tight timescales if it becomes necessary to make amendments to the scheme, consultation needs to be undertaken during August and September. If consultation is commenced later, it will not be possible to complete the consultation and amend the scheme in time for a further report to Cabinet in October.

### **Other Options for Action:**

A consultation exercise is not required if the Council makes a decision now that no amendments will be made to the current scheme for 2014/15. However, the 2013/14 scheme was designed to be cost neutral and if the 2014/15 scheme is also to be cost neutral, it will be dependent upon the Local Government Finance Settlement. If the settlement reduces funding significantly, Members may have no option other than to make cuts to Local Council Tax Support expenditure in order to keep the scheme cost neutral. It will then be too late at that stage to carry out the required consultation exercise.

### **Report:**

#### Local Council Tax Support Scheme for 2013/14

1. Local Council Tax Support replaced Council Tax Benefit with effect from 1 April 2013. People of pension age have been protected from adverse changes as required by the Government but for people of working age, the Council has adopted a scheme which has the following key elements:

- The calculation of support is based on 80% of the Council Tax bill, rather than 100% at present.
- 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 was disregarded in full in the Council Tax Benefit calculation but 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.
- Second Adult Rebate is not included in the scheme for people of working age. This is a form of benefit that is not based on the council taxpayer's income and circumstances as is normal for Local Council Tax Support, but is based upon the income of other adults living in the property.
- 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) has been reduced from 6 months to 3 months. This has brought the time limit into line with pensioners.
- The introduction of an exceptional hardship scheme for LCTS which is intended to support people whose individual circumstances mean that the increased Council Tax liability is causing them exceptional hardship.

2. There were about 4,500 people of working age who changed from the Council Tax Benefit scheme to the Local Council Tax Support scheme. Of these, about 2,900 had no Council Tax to pay in 2012/13 and are having to pay at least 20% of their liability in 2013/14.

3. The scheme was designed to take into account the ability to pay and the collectability of the resultant Council Tax liability. Although at the time of writing this report, the scheme had only just started, early indications are that the collection rate should be higher than initially anticipated. Of the people who have not previously had to pay any Council Tax at all but now have to pay 20% of their liability, payments received in April and May indicate an annual collection rate of 70%. As only a reminder was sent to non-payers during these two months, the recovery rate should increase when recovery action is taken.

4. There have been relatively few complaints about the scheme and the majority of the people affected have accepted that they need to pay something. 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.

#### Consultation for 2014/15

5. Although the preferred option for 2014/15 is to leave the scheme as it is, consultation is necessary if changes are needed for financial reasons. At the time of writing this report, the current scheme has not been in place long enough to identify elements of the scheme that need to be amended but there are no elements which have given rise to unexpected issues.

6. If it becomes necessary to make further cuts to the expenditure on Local Council Tax Support, it is proposed that the maximum Support payable for people of working age is reduced from 80% to a percentage that would achieve the required savings, perhaps 75% depending on the savings required. Another proposal would be to include Child Benefit in the calculation as this is currently disregarded. Like child maintenance, 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 inclusion of Child Benefit was included in the consultation for 2013/14 but as sufficient savings could be achieved with our current scheme, it was not necessary to include this income for 2013/14. It is proposed that consultation takes place on these two elements.

7. The Essex Authorities have continued the work that they carried out to implement their schemes for 2013/14. Meetings take place on a monthly basis and Essex County Council regularly attend these meetings. Although the Police and Fire Authorities are invited, they rarely attend but they are sent minutes of these meetings. In this way, the requirement to consult with major precepting Authorities is met.

8. The majority of Local Authorities decided to implement a cost neutral scheme in 2013/14 with only a few Authorities deciding to fund the shortfall in the grant for Local Council Tax Support themselves. To date, the only legal challenges to the schemes have been on the basis that consultation was not carried out correctly. Although none of the challenges were successful, it emphasises the importance of carrying out consultation.

9. It is proposed to carry out public consultation during August and September 2013. Essex County Council hosted the on-line consultation for the Essex Authorities for the 2013/14 scheme and they have agreed to also host the on-line consultation for 2014/15. For anyone who does not have access to the internet, the ability to respond in paper format will be made available.

#### Waiver of Call In

10. In order to carry out consultation during August and September 2013 and report to Cabinet in October 2013, it is necessary for the ordinary call in arrangements for the decisions set out at the start of this report to be waived.

### **Resource Implications:**

The cost of consultation on the Local Council Tax Support scheme for 2014/15 will be met from existing budgets.

### **Legal and Governance Implications:**

Any major amendments to the Local Council Tax Support scheme require consultation to be undertaken.

### **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 to the scheme will be subject to public consultation as set out in this report.

### **Background Papers:**

Report to Council 18 December 2012

### **Impact Assessments:**

#### 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 is currently steady.

#### Collection Risk

The impact of the scheme is that low incomes working age households are now paying more Council Tax. In some cases these are people who have not had to pay any Council Tax for many years because they received Council Tax Benefit amounting to 100% of their liability. Inevitably there will be bad debts but the early indications from April and May suggest that the collection rate will be higher than anticipated. However, there will be a point if people are asked to pay more Council Tax where the liability is too high for them and they will not make any payments.

#### Funding Reduction Risk

The LCTS component of the Local Government Finance Settlement may reduce from 2014/15 onwards which will lead to either making changes to the LCTS scheme to reduce expenditure or to make savings elsewhere from Council budgets.

#### Precept Increase Risk

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

Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A