

Report to the Cabinet

Report reference: C-009-2014/15

Date of meeting: 21 July 2014



**Epping Forest
District Council**

Portfolio: Finance and Technology

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 a general principle is agreed that the Local Council Tax Support scheme for 2015/16 should aim to be cost neutral for the Council;**
- (2) That the following elements of the scheme are approved for consultation purposes:**
 - (a) The maximum Local Council Tax Support for people of working age is reduced from 80%;**
 - (b) Child Benefit is included as income for people of working age; and**
 - (c) A requirement that people of working age must have been resident in the Epping Forest District for a period of time before they are eligible to receive Local Council Tax Support; and**
- (3) That Members confirm that a public consultation exercise on the 2015/16 scheme be undertaken between August and October 2014.**

Executive Summary:

On 17 December 2013, Council adopted the Local Council Tax Support scheme for 2014/15. Consideration now has to be given to the scheme for the financial year 2015/16 which will require approval by full Council in December 2014.

If the current scheme is to be amended, it will be necessary to undertake public consultation on any proposed amendments before the scheme for 2015/16 can be adopted. In view of the timescales, it will be necessary for the consultation to be undertaken between August and October 2014 in order to ensure that if changes 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 2015/16, the revised scheme must be agreed by full Council and be in place by 31 January 2015.

In view of the timescales, if it becomes necessary to make amendments to the scheme, consultation needs to be undertaken between August and October. 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 on 1 December 2014.

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 2015/16. However, the 2014/15 scheme was designed to be cost neutral and if the 2015/16 scheme is also to be cost neutral, it will be dependent upon the Local Government Finance Settlement, for which the details will not be confirmed until later in the year. If the settlement reduces funding significantly, Members may have no option other than to reduce 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 schemes for 2013/14 and 2014/15

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%.
- 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.
- 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. In April 2013, 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 and 2014/15.

3. 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 were 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. The target for 2013/14 in Epping Forest was 96.6% and a collection rate of 97.6% was achieved. Of the people who had not previously had to pay any Council Tax at all but now have to pay 20% of their liability, there

was an annual collection rate of 79%, with payment arrangements in place for much of the remaining 21%.

4. In the first year of the scheme, there were relatively few complaints about the scheme itself and there was an acceptance by people affected that they needed to pay something. As the scheme was unchanged in 2014/15, there has only been a minimal amount of customer contact about the scheme itself. 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 2015/16

5. Consultation is required if changes to the scheme in 2015/16 are needed for financial reasons. 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 and 2014/15 but as sufficient savings could be achieved with our current scheme, it has not been necessary to include this income. It is intended that consultation is undertaken on these two issues.

6. Another area for which it is intended to undertake consultation is where Members have indicated that they would like a residency requirement included in the scheme for 2015/16. This would mean that people who have not lived in the Epping Forest District for a certain period of time would not be entitled to any help with their Council Tax payments and would need to pay 100% of the bill themselves. In 2013, Tendring DC introduced a 5 year residency requirement and Sandwell MBC introduced a 2 year residency requirement. In April 2014, Basildon Council introduced a 7 year residency requirement. Although a few other authorities did consult on a similar residency requirement for 2014/15, they did not adopt that as part of their schemes following their consultation exercises. If a similar requirement was to be introduced in Epping Forest, we would need to consult on the length of time that people are required to live in the District and whether there would be any exceptions allowed. Consultation will also be required as to whether existing claimants are protected and the requirement therefore only applies to new claims from 1 April 2015, or whether existing claimants who have not lived in the District for the required length of time will have their Local Council Tax Support stopped from 1 April 2015.

7. The Government has prescribed that all Local Council Tax Support schemes should follow three principles which are:

- Pensioners should be fully protected
- Vulnerable groups should be protected as far as possible.
- Work incentives should be enhanced

Any residency requirement can therefore only be applied to people of working age but there are various groups of working age people who would need to be considered for an exception as they would either be considered to be vulnerable and/or that the residency requirement is a work disincentive for them. This would include people fleeing domestic violence, homeless placements, people relocated under the witness protection programme, people moving to the

area for employment, bereaved people, breakdown of a relationship where a partner is left with the children and little income, loss of employment, asylum seekers who are not allowed to work as a condition of their asylum, people with a disability moving to the area to be near to their support network, people with children moving to the area for family support with child care to allow them to work, service personnel.

8. It should also be noted that the Child Poverty Action Group have been given permission to take Sandwell MBC to Judicial Review. The CPAG argue that the scheme is unlawful, it is in breach of anti-discrimination laws and that Sandwell MBC failed to properly consult or comply with its equality duties. The case is due to be heard in the High Court on 23 and 24 July 2014. It should also be noted that the Government are due to review Local Council Tax Support in 2015. The current indications are that Authorities will still be able to devise their own schemes as long as they work within certain boundaries prescribed by the Government. At the moment, it is not known how the Government view the residency requirements, but it could be something that they will consider as part of their review.

9. 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. Some people only receive £72.40 per week (£57.35 if they are under 25 years) and it is difficult for them to budget to pay even 20% of their Council Tax. A residency requirement that means that people on low income have to pay 100% of their Council Tax liability, will undoubtedly have an impact on collection rates. This has been noted with Tendring DC whose collection rate in 2013/14 was the lowest of the Essex authorities.

10. The Essex Authorities have continued the work that they carried out to implement their schemes for 2013/14 and 2014/15. Meetings take place on a monthly basis and ECC 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.

11. It is proposed to carry out public consultation for 2015/16 between August and October 2014. Essex County Council hosted the on-line consultation for the Essex Authorities for both 2013/14 and 2014/15, and they have agreed to also host the on-line consultation for 2015/16. 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 2015/16 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 17 December 2013

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

The impact of the scheme is that low income working age households are now paying more Council Tax. Inevitably there will be bad debts but the collection rate has been 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. This will need to be considered especially where people with a low income are being asked to pay 100% of their Council Tax liability.

Funding Reduction Risk

The LCTS component of the Local Government Finance Settlement will reduce again in 2015/16 and this 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 increase their Council Tax.