

Report to the Cabinet

Report reference: C-027-2017/18
Date of meeting: 7 December 2017



Portfolio: Finance
Subject: Local Council Tax Support scheme 2018/19
Responsible Officer: Janet Twinn (01992 564215).
Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That Cabinet note the responses to the consultation on the scheme for 2018/19;**
- (2) That the scheme is amended to set 6 monthly fixed period assessments for people receiving Universal Credit;**
- (3) That the scheme is amended to disregard Bereavement Support Payments in line with other welfare benefits and the Local Council Tax Support scheme for people of pension age;**
- (4) That the scheme is amended to allow a decision made by the DWP concerning other benefits to be disregarded when it is clear that their decision is incorrect; and**
- (5) That the amended Local Council Tax Support scheme for 2018/19 be recommended to Council for approval.**

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 scheme called Local Council Tax Support (LCTS). The LCTS scheme has to be reviewed annually by the Council. A key principle of the scheme is the protection of people who are of an age where they can claim Pension Credit. The Government have regulations in place to ensure that pensioners continue to receive the same level of assistance as they would have done if the Council Tax Benefit scheme was still in place. The Council can therefore only make amendments to the Local Council Tax Support scheme for people of working age.

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.

On 11 July 2017, Cabinet approved the general principle that the Local Council Tax Support scheme for 2018/19 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 2018/19

scheme was undertaken from 18 August 2017 to 27 October 2017. Following the consultation period Members now need to approve the scheme for 2018/19 and decide whether the scheme should remain in its current form for 2018/19 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 21 December 2017.

Due to various welfare reform changes that the Government has introduced, and also changes in Local Council Tax Support for people of pension age, it is proposed to make changes to the Local Council Tax Support scheme for people of working age from 1 April 2018. This will make the administration of the scheme easier, and in particular for people receiving Universal Credit, and it will align the Council's scheme with other welfare benefits and the Local Council Tax Support scheme for people of pension age.

Other Options for Action:

If the Council does not approve any amendments to the scheme by 31 January 2018, the existing scheme will continue.

Report:

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 reducing each year and will reduce again in 2018/19. 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. The Pan Essex LCTS project group has continued to look at how schemes can be changed to both simplify the administration of the schemes and to make further savings in expenditure on the schemes. However, there are several issues that need to be considered if schemes are to be changed significantly from the current means testing schemes. The future is uncertain for the benefits provision within Local Government. The full roll out of Universal Credit for new claims is expected to be complete in the Epping Forest District by September 2018, providing there are no further delays in the roll out, but, it is not expected that the transfer of the current Housing Benefit cases to Universal Credit will be complete until 2022. Whilst local authorities still have both means testing for Housing Benefit and a specified means testing LCTS scheme for people of pensionable age, it is not appropriate at this time to significantly change how LCTS is administered and calculated, otherwise two separate assessments would have to be made instead of one. In view of the administrative problems that Universal Credit is creating for Local Authorities, some Local Authorities who have been in the pilot areas for the full service of Universal Credit for the last two to three years, are now considering a banding scheme for LCTS whereby LCTS will be a fixed percentage discount depending on where a claimant's income falls within income bands. Although this will reduce administration, it is only practical when the number of Housing Benefit claims has reduced. This may be an option to consider in the future and the success of these schemes will be monitored.

3. Consultation was undertaken to specifically look at the funding of the scheme and at making changes to the current working age scheme. Views were sought on how the scheme should be funded as well as three specific issues to align the scheme with welfare reform changes introduced into other state benefits by the Government, to ease the administrative

burden of LCTS for people receiving Universal Credit and a minor change to make the scheme fairer.

4. Currently, the total expenditure on LCTS is £6,028,000, which is made up of £3,486,000 for elderly recipients and £2,542,000 for working age recipients. This is a decrease of £90,000 in the last year although the expenditure for elderly recipients has decreased by £95,000 and the expenditure for working age has increased by £5,000. It was originally anticipated that expenditure on the current scheme would total £6,083,700 for 2017/18 and therefore there is an underspend which is primarily due to the decrease in caseload. The total number of recipients of LCTS has fallen from 6826 in October 2016, to 6540 in October 2017, a reduction of 286 in the last twelve months. The caseload has been falling each year that there has been a LCTS scheme. However, the rollout of Universal Credit may reverse this trend as pilot areas have seen an increase in financial hardship. The current caseload has a 50% split between 3253 people of pension age and 3287 people of working age, although the expenditure for people of pension age is far greater.

5. If the scheme is changed to achieve further savings, a change to the maximum percentage of 75% for working age recipients would achieve approximately £41,000 savings per 1% reduction. A reduction in the maximum percentage to 73% would therefore mean that the cost of the scheme would be in the region of £5,946,000, whilst a reduction in the maximum percentage to 70% would mean that the cost of the scheme would be in the region of £5,823,000. However, although the current council tax collection rate remains in a healthy position, there will become a time where people will refuse to make any payments because the amount that they are expected to pay simply becomes unaffordable for them. Although there are different demographics throughout Essex which have given rise to slightly different schemes for the Essex Authorities, a maximum percentage of 75% is comparable with other Essex Authorities.

6. It is not proposed to change the maximum percentage for 2018/19 but it is proposed to apply 3 changes to the scheme for working age people. This will align the scheme with changes brought in by the Government to the Local Council Tax Support scheme for people of pension age and other state welfare benefits and to simplify the administration of the scheme.

7. The first change that is proposed is to the way in which LCTS is calculated for people receiving Universal Credit. Under the current scheme, every time we are notified of a change in a claimant's circumstances, the LCTS has to be recalculated. However, as Universal Credit is rolled out nationally, the administrative burden of calculating LCTS entitlement for recipients of Universal Credit becomes greater. Universal Credit is reassessed on a monthly basis and the amount of the payment can vary greatly, particularly for weekly paid employees, depending on whether they receive 5 payments in a month or 4 payments in a month. There is therefore the potential that an LCTS award based on Universal Credit could change every month necessitating the issue of a new council tax bill every time. If this were to happen, it would make it difficult for a claimant to have any planned budgeting in place due to the monthly payments constantly changing. It would also make the administration much more complex and costly and make the recovery of unpaid council tax very difficult because, with each monthly recalculation, the recovery process would have to be restarted and it would be virtually impossible to progress beyond the reminder stage of the recovery cycle. It is therefore recommended that an award of LCTS for a recipient of Universal Credit is made for a fixed period of 6 months, regardless of changes in Universal Credit income during that period. At the end of 6 months, the LCTS will be recalculated by using the average weekly amount of Universal Credit received during the previous 6 months. A new award will then be fixed for the following 6 months and so on. Changes that do not relate to income will still be actioned in the usual way. For people that may be adversely affected by this change, a payment from the hardship fund can be used to assist families in exceptional cases.

8. The second proposed change is to disregard Bereavement Support payments in the calculation. This is a new benefit that has been introduced by the Government in April 2017 to assist families who are under state pension age at a time of bereavement. It may be paid to a surviving spouse or civil partner and consists of an initial lump-sum followed by up to 18 monthly instalments. For Housing Benefit purposes and LCTS purposes for people of pension age, the monthly Bereavement Support Payments are already disregarded as income and the lump sum payment is disregarded as capital for 52 weeks. As this is a disregard of income and capital, no claimant will be adversely affected by this change

9. The third proposed change is the ability for the Council to disregard an award of a DWP administered benefit when we know that the award of that benefit was incorrect. For example, there have been cases when the DWP have awarded Income Support to a single parent and yet that claimant has admitted to us that they live with a partner who works, or a case when Guaranteed Pension Credit was awarded when the claimant was not of state pension age. In circumstances like these, we are currently bound by the DWP decision and have had to award maximum LCTS, even though we know that the DWP decision is incorrect. A change to the wording from 'shall' to 'may' will allow the Council to disregard decisions made by the DWP where we know that they are incorrect.

10. The draft scheme for 2018/19 is shown in a background paper. The scheme already allows for the annual uprating of premiums, allowances and non-dependant deductions that are used in the calculation. The scheme cannot be finalised until both the Uprating Order from 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 in late December.

11. When changes are made to LCTS schemes, Authorities are required to be mindful as to whether transitional protection should be applied to protect current recipients from reductions in entitlement. The proposed changes to the scheme for 2018/19 will not adversely affect current recipients and therefore any form of transitional protection has been discounted.

Consultation

12. If changes are to be made 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 regularly attend 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 major precepting authorities have therefore been consulted and have indicated that they will not object to the schemes.

13. Consultation with the public was carried out from 18 August 2017 to 27 October 2017. The consultation was asking for views specifically on retaining the current scheme for 2018/19, the funding of the scheme, whether the maximum percentage should be changed, the introduction of 6 month fixed period assessments for recipients of Universal Credit, the disregard of Bereavement Support Payments, and the discretion to disregard a DWP decision.

14. The other Essex Authorities have been undertaking their own consultations during a similar period. The consultation process was the same as in the previous four 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. Essex County Council also publicised each Authority's consultation on their own website. 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. In addition to the website, posters were displayed in Council buildings and leaflets advertising the consultation were sent with 2000 Council Tax bills sent during the consultation period.

15. This year the Public Relations team made more use of social media to advertise the consultation. However, unfortunately the published link in the social media to the consultation was incorrect and directed people to the wrong web page. This was corrected and the closing date of the consultation was extended to allow anyone who wished to respond but previously had the incorrect link on social media, to respond using the correct link. It should be noted that there were two links to the consultation on the EFDC website and one on the ECC website which were correct throughout the consultation period. It was only the social media link where there was a problem and, in view of that, the consultation period was extended by two weeks once it had been rectified.

16. 96 responses were received to the consultation although this had reduced to 73 by question 7. Although disappointing, it is slightly higher than in previous years where 58 responses were received for the 2017/18 consultation and 43 responses for the 2016/17 consultation. The number of responses is in keeping with other Essex Authorities who have also had a similar number of responses, other than Uttlesford who always achieve a much higher number of responses. This appears to be because they issue a council newspaper and their distribution coincides with the consultation period.

17. The consultation questions are shown in Appendix 1 and the results of the consultation are shown in Appendix 2. The results do show that 267 people viewed the consultation but then the majority chose not to respond. This compares to 279 for the consultation in 2016. It could be surmised that they are satisfied with the proposals in the consultation as they did not have strong views against the issues in the consultation. Overall the responses to the consultation that were received did not highlight any issues that would give cause to reconsider the three proposed changes.

Resource Implications:

LCTS scheme for 2018/19:

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 continues to be reduced.

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 will cover a large proportion of the lost Council Tax income.

Exceptional Hardship Fund:

For the last four years 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 2018/19.

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 1 December 2016

Cabinet report 11 July 2017

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. As in previous years, LCTS expenditure has shown an underspend with regard to anticipated expenditure which has been due to the caseload continuing to reduce. Council tax collection rates remain stable.

The Government grant in 2018/19 is not clearly identifiable and there is a possibility that demand and eligibility for financial support under the LCTS scheme for 2018/19 may be greater than in 2017/18, 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.

Any increase in the Council Tax by County, Police, Fire, District or parishes, will result in the cost of the LCTS scheme increasing

Equality Analysis:

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix 3 to the report.