

Report to the Cabinet

Report reference: C-053-2013/14
Date of meeting: 2 December 2013



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).

Recommendations/Decisions Required:

- (1) That Cabinet note the responses to the consultation on the scheme for 2014/15; and**
- (2) That in view of the consultation responses and experience of the 2013/14 scheme so far, no changes are made to the scheme for 2014/15.**

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 2013/14 Government funding to Councils for LCTS was set at 90% of what would have been available as subsidy if the Council Tax Benefit scheme had continued. Funding for 2014/15 is expected to reduce but the exact amount will only be confirmed with the settlement figures later this month.

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.

The development of the 2013/14 LCTS scheme for Epping Forest included consultation with the public and the major precepting authorities. It sought to achieve cost neutrality i.e. the cut in Government funding is offset by making reductions in the amount of support that working age households can receive. A scheme that is not cost neutral is likely to result in cuts to services by the Council and other precepting authorities. The scheme was approved by Council on 18 December 2012. It is too early to provide a definitive analysis of the 2013/14 scheme outturn as the collection and recovery rates are yet to be finalised. However, indications are that the scheme will achieve the required cost neutrality desired at the outset and the collection rate is higher than originally anticipated.

On 22 July 2013, Cabinet approved the general principle that the Local Council Tax Support scheme for 2014/15 should be cost neutral for the Council and that public consultation should be undertaken on certain elements of the scheme. Consultation on the 2014/15 scheme was

undertaken from 16 August 2013 to 30 September 2013. Following the consultation period Members now need to approve the scheme for 2014/15 and decide whether the scheme should remain in its current form for 2014/15 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 17 December 2013.

Other Options for Action:

If the Council does not approve any amendments to the scheme by 31 January 2014, the existing scheme will have to continue.

Report:

Proposed Local Council Tax Support scheme 2014/15

1. In 2013/14, the Government funded LCTS with a specific grant of £1.119m (including the Town and Parish Council element), but for 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 Department for Communities and Local Government (DCLG) has stated that although it will not be identifiable within the draft settlement figures, the allocation will be similar to that for 2013/14, although the overall package will be reduced. DCLG have stated that Members will need to decide on the value of the funding to be used for LCTS from 2014/15.

2. It is proposed that the Epping Forest LCTS scheme for people of working age continues for 2014/15 with the same scheme as for 2013/14. The main differences between the former Council Tax Benefit scheme and the LCTS scheme for 2013/14 are as follows:

- The calculation of support is based on 80% of the Council Tax bill, rather than 100%.
- The calculation of support will be 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 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 CTB 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 has been reduced from £16,000 to £6,000, so those with capital exceeding £6,000 will be 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, but is based upon the income of other adults living in the property.
- The period of backdating (with good cause) is reduced from 6 months to 3 months.
- An Exceptional Hardship Scheme for LCTS was introduced to support people whose individual circumstances mean that the increased Council Tax liability is causing them exceptional hardship.

3. If the current scheme is retained for 2014/15, 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. For 2013/14, some other Authorities decided to support the cut in funding themselves but they are now having to make some major changes to their schemes for 2014/15 as they cannot continue to fund the shortfall. Based on current forecasts, maintaining the current scheme in Epping Forest would enable a net neutral scheme to be delivered. It is anticipated that the Government will make further cuts to funding in future years and therefore the Pan Essex LCTS project group is currently considering how schemes can be changed for 2015/16 to both simplify the administration of the schemes and

to make further cuts in expenditure on the schemes. If major changes are to be made in 2015/16, it is sensible to have a stable scheme without changes for 2014/15.

4. Consultation was undertaken to specifically look at proposals to reduce expenditure on the current scheme by either reducing the maximum percentage from 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.

5. Currently, the total expenditure on LCTS is £7,564,000, which is made up of £4,255,000 for elderly recipients and £3,309,000 for working age recipients. It was anticipated that expenditure on the current scheme would total £7,684,000 for 2013/14 and therefore there is a small surplus which is primarily due to a decrease in the caseload. The total number of recipients in April 2013 was 8417 and this has reduced to 8304 in October 2013.

6. When estimating likely expenditure on LCTS for 2014/15, there are several factors which will increase expenditure on the current scheme, even if the scheme itself does not change. Essex County Council have indicated that they will increase their precept by 1.99% and Essex Police have also indicated that they will be increasing their precept. These increases, together with any other Council Tax increases, will in turn increase the total expenditure on LCTS. In addition to this, the applicable amounts used in the calculation to assess a household's needs will increase in April 2014, and thereby give greater entitlement to LCTS. However, this will be partially offset by an increase in state pensions and benefits. Taking these factors into account, together with the current underspend this year, if the scheme is kept the same in 2014/15, cost neutrality should still be achieved.

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 £46,500 savings per 1%. The inclusion of Child Benefit in the calculation without changing the maximum percentage would achieve savings of £198,000 whilst the inclusion of child benefit and a change to the maximum percentage, would achieve savings of approximately £198,000 plus £45,000 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 currently being implemented, 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.

Consultation

9. Before final approval of the scheme, councils are required to consult with the major precepting authorities (County Council, Police & Fire Authorities) and the public. 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. All the precepting authorities have indicated that provided the schemes remain cost neutral, they will not object to the schemes.

10. If Members wish to make any changes to the current scheme, we must consult on those changes. 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. The only legal challenges that have been made to other Authority's LCTS schemes have been on the basis that consultation was not properly undertaken. Although

none of the challenges were successful, Officers have been mindful that consultation needs to be properly undertaken on any changes to the scheme. In view of the uncertainty of the amount of funding available for 2014/15, consultation with the public was carried out from 16 August 2013 to 30 September 2013. The consultation was asking for views specifically on retaining the current scheme for 2014/15 and whether the percentage should be changed and/or child benefit included.

11. The other Essex Authorities have been undertaking their own consultations during a similar period. The consultation process was the same as last year and each Authority has published information on their proposals on their website with a link for responses to ECC who have the necessary consultation software. 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.

12. In addition to information on the website, leaflets explaining the current scheme, the consultation and how to respond were sent with 4,000 Council Tax bills during this period. This ensured that both taxpayers receiving no help to pay their Council Tax, as well as current recipients of LCTS were made aware of the consultation. As the cost of the scheme impacts on Council finances, all EFDC staff were notified that the consultation was being undertaken.

13. Only 41 responses to the consultation were received which, although disappointing, is in keeping with the response levels of the other Essex Authorities (and is similar to the level of response to last year's consultation). The results of the consultation are shown in Appendix 1. Respondents were also able to give any additional comments which varied from comments that the scheme needs to be the same for everyone and therefore fair to everyone, that there should not be a band D restriction, support should be reduced for the unemployed to give the incentive to work, 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. In total, there were approximately 4,500 people affected who have had to pay some or more Council Tax in 2013/14. The response from claimants to the 2013/14 scheme has obviously brought complaints, but the majority have been accepting that they do have to pay some Council Tax this year. The area of change that brought the most vociferous complaints has been the band D restriction. Even then, the majority of complaints about this have been from the claimants living in Band G properties, of which there were only 48 claims affected out of 4,500.

15. After the consultation closed on 30 September, Gingerbread, the charity for single parent families, did make representations that the EFDC scheme should be changed to disregard child maintenance. It appears that they have written to every Local Authority that adopted a scheme to include child maintenance. No previous representations or complaints have been received about this particular aspect of the scheme. To give protection to specific groups of people has been considered but discounted as this would put a greater financial burden on non-protected groups of people, some of whom have an income of just £71.70 per week. Consultation was undertaken in 2012 on the proposals for our scheme, and the specific proposal to include child maintenance received support from respondents. Gingerbread have stated that the median amount of child maintenance is £12.00 per week, but £15 per week of any maintenance income is disregarded anyway, and, if a claimant is receiving a passported benefit, any child maintenance that they receive is still fully disregarded. Therefore the single parents with the more modest income are still protected by the EFDC scheme.

16. In 2008 The Institute of Fiscal Studies provided written evidence to Parliament that confirmed fully disregarding child maintenance would benefit those who are better off. They said -

“Disregarding child benefit in HB/CTB does not affect families who are receiving the full

entitlement of HB/CTB, as it is impossible for them to be entitled to any more HB/CTB; it only affects those families who are on the taper of HB/CTB, and those families who, without the disregard, have incomes sufficiently high to not be entitled to HB/CTB and who will become entitled with the disregard.”

17. If maintenance is disregarded as income in future years, the impact on other claimants would need to be considered. In order to make up the shortfall in overall scheme savings that such a measure would necessitate, it would probably be necessary to look at reducing the maximum amount that can be awarded to people of working age. Currently this is 80% for the EFDC scheme but, if further savings were required because child maintenance is disregarded, that percentage may need to decrease. This would increase the amount that all claimants have to pay, including single parents that do not have the benefit of additional income from child maintenance. Therefore, by helping single parents with a higher income, it will in fact place a greater financial burden on those single parents with a lower income.

18. Due to the fact that in over a year, no-one had raised any concern over the inclusion of child maintenance as income, this is not an aspect of the EFDC scheme that we were looking to change and therefore it was not included again in the consultation for the 2014/15 scheme. As we have not consulted on such a change and there is no time to do so now, if this aspect of our scheme was changed for 2014/15 it would be vulnerable to challenge.

Resource Implications:

LCTS scheme for 2014/15:

For 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 DCLG has stated that although it will not be identifiable within the draft settlement figures, the allocation will be similar to that for 2013/14, although the overall package will be reduced. If a similar allocation is used for LCTS in 2014/15, the same scheme as 2013/14 should still achieve cost neutrality.

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). The anticipated funding from the Government should cover the lost Council Tax income although the DCLG will not be confirming the actual grant to each Authority until Christmas.

Exceptional Hardship Fund:

In 2013/14 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 2014/15.

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 Essex County Council, the Police and Fire authorities and the public. The results are detailed in this report.

Background Papers:

Council report 18 December 2012.

Cabinet report 22 July 2013.

Impact Assessments:

Risk Management:

There are a number of financial risks associated with the LCTS scheme, and being only part way through the first year, it is too early to be certain of the effects. Monitoring against taxbase and collection is continuing but no major problems have been identified to date.

Consultation

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

Demand Risk

The Government grant in 2014/15 will not be as clearly identifiable as it was in 2013/14. There is a possibility that demand and eligibility for financial support under the LCTS for 2014/15 may be greater than in 2013/14, 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 have operated in the last three years. However, there is a risk that if Council Tax is increased by County, Police, Fire, District or Parishes, then the cost of LCTS will increase.

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? Yes

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

What equality implications were identified through the Equality Impact Assessment process?
A formal Equality Impact Assessment was undertaken for the 2013/14 scheme. The recommendation is that this scheme continues for 2014/15 and therefore the Equality Impact remains the same.

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?
Stage 1 and stage 2 Customer Impact Assessments have been published on the Council's website.

1: Should the Council make any changes to the existing Local Council Tax Support scheme?		
	Response Total	Response Percentage
Yes	19	46%
No	14	34%
Don't know	8	20%
	Total Respondents	41
	Skipped the question	103

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?	87.8% (36)	12.2% (5)	41
Increase the Council Tax	7.32% (3)	92.68% (38)	41
Cut services provided by the County, District, Town & Parish Councils	17.07% (7)	82.93% (34)	41
	Total Respondents		41
	Skipped the question		103

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	30	73%
No	9	22%
Don't know	2	5%
	Total Respondents	41
	Skipped the question	103

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	28	68%
No	12	29%
Don't know	1	2%
	Total Respondents	41
	Skipped the question	103

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	29	71%
No	10	24%
Don't know	2	5%
	Total Respondents	41
	Skipped the question	103