

# ***Report to the Council***

**Subject: Local Council Tax Support Scheme 2015/16**

**Committee: Cabinet**

**Date: 16 December 2014**

**Portfolio Holder: Councillor S A Stavrou  
(Finance)**

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## **Recommendations/Decisions Required:**

**(1) That, in view of the responses received during the public consultation and the experience of the first two years of the Scheme, no changes be made to the Scheme for 2015/16, other than the annual uprating of premiums, allowances, non-dependent deductions and any changes to the national pension age scheme that needs to be reflected in the Council's Scheme.**

## **Report:**

### Proposed Local Council Tax Support Scheme 2015/16

1. In 2013/14, the Government funded Local Council Tax Support (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 reduced in 2014/15 and will reduce again in 2015/16. The Department for Communities and Local Government has stated that Members will need to decide on the value of the funding to be used for LCTS.

2. It is proposed that the Epping Forest LCTS scheme for people of working age continues for 2015/16 with the same scheme as for 2014/15 other than the annual uprating of premiums, allowances, non-dependent deductions and any changes to the national pension age scheme that need to be reflected in the Epping Forest scheme.

3. After operating the same scheme for two years, if the current scheme is retained for 2015/16, 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. There were relatively few queries and complaints in April 2014 when people received their Council Tax demands because people were already familiar with the Council's scheme.

4. The Pan Essex LCTS project group has been looking at how schemes can be changed to both simplify the administration of the schemes and to make further cuts in expenditure on the schemes. However, there are several issues that need to be considered if schemes were changed significantly from the current means testing schemes. The future is uncertain for the benefits provision within Local Government and, whilst local authorities still have Housing Benefit and a specified means testing scheme for people of pensionable age, it is not appropriate to significantly change how LCTS is administered and calculated. In addition, the Department for Communities and Local Government has undertaken to carry out a review of LCTS during 2015/16 and there is also a lack of clarity about long term funding of the scheme and political uncertainties arising from a general election in May 2015.

5. Consultation was undertaken to specifically look at proposals to reduce expenditure on the current working age scheme. The two specific issues were to either change the maximum percentage that people of working age can receive from the current 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.

6. Currently, the total expenditure on LCTS is £7,009,000, which is made up of £3,913,000 for elderly recipients and £3,096,000 for working age recipients. It was anticipated that expenditure on the current scheme would total £7,500,000 for 2014/15 and therefore there is an underspend which is primarily due to a decrease in the caseload. The total number of recipients of LCTS has fallen from 8417 in April 2013, to 8132 in March 2014 and, in September 2014, the caseload has reduced further to 7819. If this trend of a reduction in the caseload continues, there will be a reduction in LCTS expenditure without having to make changes to the current scheme to reduce expenditure. Based on the current caseload, if the scheme was not changed, the expenditure will be in the region of £6,800,000.

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 £40,800 savings per 1%. The inclusion of Child Benefit in the calculation without changing the maximum percentage would achieve savings of £199,000, whilst the inclusion of child benefit and a change to the maximum percentage, would achieve savings of approximately £199,000 plus £40,000 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 ongoing, it is this same group who is 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.

9. The draft scheme for 2015/16 is shown in appendix 1. The scheme cannot be finalised until the uprating of allowances and premiums by 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 late in November / early December.

### Consultation

10. If Members wish to make any changes 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.

11. 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. The Pan Essex Benefit Managers report to the Essex Finance Officers Association where representatives of all the major preceptors are usually in attendance. The Essex Finance Officers Association in turn reports to the Essex Strategic Leaders Forum. The major precepting authorities have therefore been consulted and have indicated that provided the schemes aim to be cost neutral, they will not object to the schemes.

12. Consultation with the public was carried out from 29 August 2014 to 19 October 2014. The consultation was asking for views specifically on retaining the current scheme for 2015/16 and whether the maximum percentage should be changed and/or child benefit included.

13. Some Essex Authorities have already decided that they will not be changing their LCTS scheme for 2015/16 and have therefore not undertaken any consultation. The other

Essex Authorities have been undertaking their own consultations during a similar period. The consultation process was the same as in the previous two 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. 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.

14. A total of 58 responses were received to the consultation which, although disappointing, is in keeping with the response levels of the other Essex Authorities (and is higher than the 41 responses which were received last year). The results of the consultation are shown in Appendix 2. Respondents were also able to give any additional comments which varied from comments that LCTS needed to be increased, not reduced, that the Council can find savings from elsewhere without penalising the poor, all income should be included so that there is an even playing field for a means tested benefit 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.

15. The Epping Forest Citizens Advice Bureau submitted a more detailed response and it was felt to be appropriate to meet with the Area Manager to discuss points raised in their consultation response and to advise them of what the Council has already been doing. They had suggested that savings could be made by reducing Council Tax discounts on empty properties and second homes, but both of these have already been reduced, effective from April 2013.

16. They also suggested that more flexible payment arrangements could be introduced, that there could be early intervention for non-payers and more time before a summons is sent. As part of a business case to the major preceptors, funding was secured from April 2013 for dedicated Officers to deal specifically with recipients of LCTS, and this has proved very successful with the Council Tax collection rate being higher than anticipated. We do have a dedicated Vulnerable Person Officer who works with people who are struggling to pay their Council Tax and we do set up payment arrangements that are flexible to suit individual taxpayers. We have also had special Court dates for LCTS recipients to enable the Council Tax Officers to deal specifically with people who have been unable to pay.

17. Another suggestion of the Citizens Advice Bureau was to increase the non-dependent deductions for working age claimants. However, the current level of deduction that is applied can be as high as £11.25 per week. We have not consulted on an increase in the non-dependent deductions and therefore we could not implement this for 2015/16, but it is considered that it would be unreasonable to ask non-dependents to pay significantly more than this amount each week to help to pay the home owners Council Tax liability. Where a person is also a tenant, the current non-dependent deductions can be as much as £102.40 per week that a non-dependent is expected to contribute towards just the rent and Council Tax each week, without any other expenses such as food and fuel. The current non-dependent deductions have caused rifts within families and therefore this is not an option that is reasonable to pursue.

#### Exceptional Hardship Fund

18. In 2013/14 and 2014/15 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 2015/16.

#### Conclusion

19. 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 tax base will reduce (as

will the tax base 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.

20. We recommend as set out at the commencement of this report.