

Report to the Cabinet

Report reference: C-011-2015/16

Date of meeting: 23 July 2015



**Epping Forest
District Council**

Portfolio: Finance

Subject: Local Council Tax Support Scheme 2016/17

Responsible Officer: Janet Twinn (01992 564215).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) That Members confirm that a public consultation exercise on the 2016/17 scheme be undertaken between August and October 2015;

(2) That the following elements of the scheme are approved for consultation purposes:

(a) a general principle be that the Local Council Tax Support scheme for 2016/17 should aim to be cost neutral for the Council;

(b) to seek views on alternative funding options for the Local Council Tax Support scheme if the scheme is not cost neutral;

(c) the maximum Local Council Tax Support for people of working age be reduced from 80%; and

(d) that a Minimum Income Floor for Self Employed Persons be set in line with other Welfare Reforms.

Executive Summary:

On 16 December 2014, Council adopted the Local Council Tax Support scheme for 2015/16. Consideration now has to be given to the scheme for the financial year 2016/17 which will require approval by full Council in December 2015.

It is necessary to undertake public consultation on the Council's scheme each year before the scheme is adopted by Council. In view of the timescales, it will be necessary for the consultation to be undertaken between August and October 2015 in order to ensure that the Authority will have consulted correctly and that Council can adopt the scheme at the December meeting.

Reasons for Proposed Decision:

The judgement given in the case of R v London Borough of Haringey on 29 October 2014, highlighted the requirement for Local Authorities to consult on their scheme annually, whether they intend to make any changes to their Local Council Tax Support scheme or not. The judgement also made clear that in their consultation, Local Authorities also needed to consult

on how the scheme is to be funded. Respondents should be given the opportunity to give their views on whether the scheme should be cost neutral, or, if not, whether the scheme should be funded by making cuts to the scheme, increasing the Council Tax, cutting other Council services, or using Council reserves. The Council's scheme must be agreed by full Council and be in place by 31 January 2016.

In view of the timescales, consultation needs to be undertaken between August and October 2015. 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 3 December 2015.

Other Options for Action:

Cabinet could either decide not to carry out a consultation exercise for the 2016/17 Local Council Tax Support scheme, or that consultation should only be carried out on potential changes to the scheme, not the funding of the scheme. However, bearing in mind the judgement in R v London Borough of Haringey, the Council could be judicially reviewed.

Report:

Local Council Tax Support schemes for 2013/14, 2014/15 and 2015/16

1. Local Council Tax Support replaced Council Tax Benefit with effect from 1 April 2013. People of pension age continue to be 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. 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 have been 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. 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 and 2015/16, 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. The

scheme design has therefore been successful to date.

Consultation for 2016/17

3. In view of the judgement in R v London Borough of Haringey, it is clear that consultation is required whether changes are to be made to the scheme or not. However, one change that is proposed is in relation to claims where either the claimant, the partner, or the non-dependant is self-employed. The Universal Credit Regulations provide that there is a Minimum Income Floor where a person is self-employed. This means that if their declared earnings from self-employment are below the National Minimum Wage (currently £6.50 per hour, increasing to £6.70 per hour from October 2015), it is the National Minimum Wage that is used in the calculation of Universal Credit. Self-employed claims are the most difficult and time consuming to calculate as many people do not have audited accounts, and, in many cases have very few records at all. The Benefit Assessment Officers have to act as an Accountant using whatever evidence is available, but ultimately it is very difficult to verify any income and expenditure details for the self-employed. It is not uncommon for a Benefit Assessment Officer to spend up to half a day assessing just one self-employed claim. However, if our Local Council Tax Support scheme is changed to introduce the Minimum Income Floor for self-employed, the administrative burden on the Authority would be greatly reduced, and it would be aligning our scheme with other Government Welfare Reforms. Universal Credit is currently due to commence roll-out in the Epping Forest District in February 2016 and therefore it is appropriate to introduce this change to our Local Council Tax Support scheme from April 2016 to provide a consistent approach to Welfare Reform.

4. 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. However, 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. Consultation will be required on this particular aspect of the scheme, together with options for alternative funding arrangements, rather than making savings through the scheme itself.

5. The Essex Authorities have continued the joint work that they have carried out to implement their schemes for the last three years. Meetings take place on a monthly basis and ECC regularly attend these meetings. Although the Police and Fire Authorities are invited, they rarely attend because ECC act as their representative and they are also sent minutes of these meetings. In this way, the requirement to consult with major precepting Authorities is met.

6. It is proposed to carry out public consultation for the 2016/17 scheme between August and October 2015. Essex County Council have previously hosted the on-line consultation for the Essex Authorities and we are discussing with them to also host the on-line consultation for 2016/17. 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 2016/17 will be met from existing budgets.

Legal and Governance Implications:

There is a requirement for consultation to be undertaken on the Council's Local Council Tax

Support scheme each year.

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 and funding arrangements for the scheme will be subject to public consultation as set out in this report.

Background Papers:

Report to Council 16 December 2014

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 has been reducing as the economy has improved.

Collection risk

The impact of the scheme is that low income working age households have to pay a proportion of their Council Tax liability. Inevitably there will be bad debts but the collection rate has been higher than anticipated. However, there will be a point where people are asked to pay more Council Tax, therefore making the liability too high for them, that they will not make any payments at all. This will need to be considered if there is a reduction to the maximum percentage.

Funding reduction risk

The LCTS component of the Local Government Finance Settlement will reduce again in 2016/17. This could lead to either making changes to the LCTS scheme to reduce expenditure or to make savings elsewhere either from Council budgets, increasing the Council Tax or using Council reserves..

Precept increase risk

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