

## **Report to the Cabinet**

**Report reference:** C-040-2016/17  
**Date of meeting:** 1 December 2016



**Portfolio:** Finance  
**Subject:** Local Council Tax Support Scheme 2017/18  
**Responsible Officer:** Janet Twinn (01992 564215).  
**Democratic Services:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

- (1) That Cabinet note the responses to the consultation on the scheme for 2017/18;**
- (2) That the scheme be amended to remove the family premium in the calculation for new claimants in line with other welfare reforms;**
- (3) That the scheme be amended to withdraw Local Council Tax Support where a person leaves Great Britain for 4 weeks or more in line with other welfare reforms; and**
- (4) That the scheme is amended to limit the number of dependant additions to a maximum of two for all cases where dependants are born on or after 1 April 2017, in line with other welfare reforms.**

### **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 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.

Council approved the Epping Forest LCTS scheme for 2013/14 in December 2012, and for the first 3 years, the scheme remained unchanged. In December 2015, Council approved 2 amendments to the scheme for 2016/17, the first being that the maximum percentage was reduced from 80% to 75%, and the second being a change to the calculation of self-employed income to align it with Universal Credit.

On 21 July 2016, Cabinet approved the general principle that the Local Council Tax Support scheme for 2017/18 should aim to be cost neutral for the Council and that public consultation

should be undertaken on certain elements of the scheme to align the scheme with other Welfare Reform changes that have either already been implemented, or are due to be implemented by April 2017. Consultation on the 2017/18 scheme was undertaken from 15 August 2016 to 15 October 2016. Following the consultation period Members now need to approve the scheme for 2017/18 and decide whether the scheme should remain in its current form for 2017/18 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 20 December 2016.

Due to various welfare reform changes that the Government has introduced in other state welfare benefits, and also 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 2017. This will align the Council's scheme with the welfare reform changes 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 2017, the existing scheme will have to 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 2017/18. 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. After operating the same scheme for three years, the scheme was changed for 2016/17 to reduce the cost of the scheme. The maximum percentage of their council tax that a person can receive towards their council tax was reduced from 80% to 75%. This has resulted in a reduction in the cost of the scheme and, although there was concern at the impact on council tax collection rates, so far there has been no detrimental effect on the collection rate which has remained stable.
3. 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 cuts 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, but the full roll out of Universal Credit continues to be delayed 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.
4. 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 four specific issues to align the scheme with welfare reform changes introduced into other state benefits by the Government.
5. Currently, the total expenditure on LCTS is £6,118,000, which is made up of £3,581,000 for elderly recipients and £2,537,000 for working age recipients. It was originally

anticipated that expenditure on the current scheme would total £6,311,000 for 2016/17 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 7360 in October 2015, to 6826 in October 2016, a reduction of 534 in the last twelve months. If this trend of a reduction in the caseload continues, there will be a reduction in LCTS expenditure to offset against the cost of the scheme.

6. The grant used to fund the scheme for 2016/17 is £4,860,177 and there is therefore a current shortfall of £1,257,823. Based on the current caseload, if the scheme was not significantly changed, the expenditure in 2017/18 will be in the region of £6,200,000. As the grant will reduce by 15.9%, the shortfall for 2017/18 could be in the region of £2,000,000. The shortfall would be borne in proportion by the precepting authorities (ECC, Police, Fire, EFDC, the town and parish councils). The EFDC element could therefore be in the region of £200,000. If the proposed changes are introduced, there will be some savings on these figures but, as the changes will only affect new claims, the potential savings cannot be estimated. The current caseload has a 50% split between 3423 people of pension age and 3403 people of working age, although the expenditure for people of pension age is far greater.

7. If the scheme is changed to achieve further savings, a change to the maximum percentage of 75% for working age recipients would achieve approximately £42,000 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 £6,116,000, whilst a reduction in the maximum percentage to 70% would mean that the cost of the scheme would be in the region of £5,990,000. 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.

8. It is not proposed to change the maximum percentage for 2017/18 but it is proposed to apply 3 technical 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.

9. The first change that is proposed is to remove the family premium in the calculation for new claims received after 1 April 2017. The family premium has already been removed from 1 May 2016 from all new claims for Housing Benefit and it will also be removed from Local Council Tax Support from people of pension age from 1 April 2017. Implementing the change to Local Council Tax Support for people of working age will ensure that the change is applied equably to both people of working age and people of pension age. The family premium is an allowance in the calculation that is carried out for what is known as 'standard' claims. These are claims where a person's income is not a state means tested benefit such as income based Job Seekers Allowance and Income related Employment Support Allowance. Of the current caseload of 3403 people of working age, 1061 are standard claims. The change will not be applied to them unless they have a break in their claim as it will only apply to new claims received on or after 1 April 2017. For people that are adversely affected by this change, a payment from the hardship fund can be used to assist families in exceptional cases.

10. The second proposed change is to reduce the period for which a person can be absent from Great Britain and still receive Local Council Tax Support to a maximum period of 4 weeks. Currently people can be absent from their home for 13 weeks (or 52 weeks in some circumstances) without it affecting their Local Council Tax Support. The reduction to 4 weeks

has already been applied to Housing Benefit and other state benefits from 28 July 2016 and therefore this change will ensure that various welfare schemes are being delivered equably. There will be exemptions for certain occupations, such as armed forces and mariners. Exceptions will also apply if the absence is due to the death of a close relative abroad, or medical treatment is being received outside of Great Britain.

11. The third proposed change is to limit the number of dependant children within the calculation of Local Council Tax Support to a maximum of two when children are born on or after 1 April 2017. Within the current scheme, claimants who have children are allowed a dependants addition for each child within the calculation of Local Council Tax Support and there is no limit to the number of child additions that can be allowed. From April 2017, the Government is limiting the number of dependants additions to a maximum of two in Universal Credit, Tax Credits and Housing Benefit. This will only affect households who have a third or subsequent child on or after 1 April 2017. There will be exceptions where there is a multiple birth and the household does not already have two or more dependants, adopted children joining the household, and where households merge, e.g. a single parent with two children forms a relationship with a single parent with one child. It is also intended to make an exception in cases of rape, however, the Government is currently considering the evidence requirements for this issue for Universal Credit, Tax Credits and Housing Benefit and therefore we must be guided by the exception criteria as set out for those benefits. For people that are adversely affected by this change, a payment from the hardship fund can be used to assist families in exceptional cases.

12. Consideration was also given to reducing the maximum period for backdated Local Council Tax Support for people of working age from three months to one month in line with Housing Benefit and other state welfare benefits. Currently, when a person of working age can show that they had a continuous good reason for not submitting a claim form at the appropriate time, we can accept their claim as if it was made up to three months earlier. This time limit was reduced to one month in Housing Benefit from 1 April 2016 and consideration was given to aligning Local Council Tax Support with this change from 1 April 2017. For people of pension age, they do not need to show 'good cause', just that they would have had an entitlement before they claimed and we can then automatically award Local Council Tax Support for up to three months before they actually claimed. The response to the consultation was not extensive but the few that did make comments were not in favour of reducing the backdating period. Taking this into account, it was decided after due consideration not to reduce the maximum backdating period from three months to one month. Particular regard was taken to cases of bereavement where one month is not long to reorganise finances etc and probably the payment of council tax is not at the forefront of priorities during that month. Someone in that situation should however be able to organise themselves to make a claim within three months. It was felt that there might be deserving cases who could suffer if the time limit was reduced to one month. The hardship fund cannot be used for any period that a person was not receiving Local Council Tax Support and therefore a payment from that fund could not be used and therefore it was decided not to propose this change at this time.

13. The draft scheme for 2017/18 is shown in appendix 1. 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 late in November / early December.

14. 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 family premium and the dependants allowance will only apply to new claims, not to existing claimants and therefore transitional

protection would not apply. With regard to the absence from home being reduced to a maximum of four weeks, there should not be many claimants who can afford to go abroad for more than four weeks and therefore the change should only apply to very few claimants. However, there will be exceptions for stipulated reasons for work, illness and bereavement and transitional protection is not considered appropriate to give to people holidaying abroad or who are abroad for other reasons whilst claiming that they have a low income.

### Consultation

15. 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 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 they will not object to the schemes.

16. Consultation with the public was carried out from 15 August 2016 to 15 October 2016. The consultation was asking for views specifically on retaining the current scheme for 2016/17, the funding of the scheme, whether the maximum percentage should be changed, the removal of the family premium, a reduction in backdating to one month, a reduction in temporary absence to 4 weeks, and the restriction of the dependants allowance to a maximum of two.

17. 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 the Council offices, leaflets advertising the consultation were sent with 2000 Council Tax bills sent during the consultation period and, because many claimants now use email to communicate with us, messages were put on emails as part of an automatic response when an email was received.

18. 58 responses were received to the consultation although this had reduced to 40 by question 4. Although disappointing, it is a similar number to previous years where 43 responses were received for the 2016/17 consultation and 58 responses for the 2015/16 consultation. The number of responses is in keeping with other Essex Authorities who have also had a similar number of responses.

19. The consultation questions and the results of the consultation are shown in Appendices 1 and 2 to this report. The results do show that a much larger number of people viewed the consultation but then chose not to respond. 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 two proposed changes.

## **Resource Implications:**

### LCTS Scheme for 2017/18:

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. In view of the decrease in the caseload, a level of savings can be achieved thereby reducing the cost to the Council.

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 2017/18.

## **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 15 December 2015

Cabinet report 21 July 2016

## **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 and the changes to the scheme for 2016/17 do not appear to have had a detrimental effect on council tax enforcement as fewer liability orders have been requested so far this financial year.

The Government grant in 2016/17 is not clearly identifiable and there is a possibility that demand and eligibility for financial support under the LCTS scheme for 2017/18 may be greater than in 2016/17, 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 4 to the report.