

Report to the Council

Committee: Cabinet

Date: 15 December 2015

Subject: Local Council Tax Support Scheme 2016/17

Portfolio Holder: Councillor S Stavrou (Finance)

Recommending:

(1) That the revised Local Council Tax Support Scheme 2016/17 be approved.

1. 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.

2. 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 2016/17. 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.

3. After operating the same scheme for three years, it is proposed that the scheme should be changed for 2016/17 as the cost of the scheme is exceeding the funding allocated to the scheme.

4. Consultation was undertaken to specifically look at proposals to reduce expenditure and administration on the current working age scheme. The two specific issues were to seek views on changing the maximum percentage that people of working age can receive from the current 80%, and the introduction of a minimum income floor for people who are self-employed.

Maximum Discount Percentage for People of Working Age

5. Currently, the total expenditure on LCTS is £6,644,000, which is made up of £3,743,000 for elderly recipients and £2,901,000 for working age recipients. It was originally anticipated that expenditure on the current scheme would total £6,741,640 for 2015/16 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 7612 in April 2015, to 7360 in October 2015, a reduction of 252 in seven 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, but it will not be sufficient to offset the full cost.

6. Based on the current caseload, if the scheme was not changed, the expenditure in 2016/17 will be in the region of £6,587,000. As the grant is expected to reduce by 10%, the shortfall for 2016/17 is likely to be in the region of £1,361,000 unless the scheme is changed to reduce expenditure.

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% reduction. A reduction in the maximum percentage to 77% would therefore mean that the cost of the scheme would be in the region of £6,465,000, whilst a reduction in the maximum percentage to 75% would mean that the cost of the scheme would be in the region of £6,383,000. It is therefore proposed to decrease the maximum percentage used for calculating Local Council Tax Support for people of working age from 80% to 75%, to make savings of £204,000.

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 initiatives that are ongoing, 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.

9. If the maximum percentage is reduced to 75%, based on the Council Tax for the current year, the amount of LCTS would be reduced by approximately £1.15 (£0.85 if claiming a single resident discount) per week for a band B property, £1.30 (£0.97 if claiming a single resident discount) per week for a band C property and £1.45 (£1.10 if claiming a single resident discount) per week for a band D property. It will be these amounts that people in receipt of LCTS will have to pay in addition to the amount that they are paying under the current scheme.

A Minimum Income Floor for the Self-Employed

10. A further proposed change is in relation to working age claims where either the claimant, the partner, or a 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 Living Wage of £7.20 per hour for workers aged 25 or older, or the National Minimum Wage levels for workers under 25 years, it is the National Living Wage/National Minimum Wage rates that are used in the calculation of Universal Credit.

11. 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.

12. If our LCTS scheme was changed to introduce the Minimum Income Floor for self-employed, then 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.

13. For people who are starting new businesses, it is proposed that the Minimum Income Floor would not apply for the first year of the business. This gives the person the opportunity to assess whether their business is financially viable or not. For those who have an established business and declare income from self-employment that is below the Minimum Income Floor, either the National Living Wage rate or the National Minimum Wage rate will be used in the calculation of LCTS for the number of hours that are worked.

14. There are currently about 300 claims where someone in the household is self-employed. About 65% of these have declared earnings below the hourly rate of £7.20. There will therefore be some savings to the LCTS scheme through the introduction of the Minimum Income Floor but it is not possible at this time to be able to give an estimated value. However, the main objectives are to provide a consistent approach to Welfare Reform and to reduce the administrative burden on the Authority.

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. Consultation with the public was carried out from 27 August 2015 to 11 October 2015. The consultation was asking for views specifically on retaining the current scheme for 2016/17, whether the maximum percentage should be changed and whether a Minimum Income Floor for the self-employed should be introduced. The consultation also included questions concerning the funding of the LCTS scheme.

16. A total of 43 responses were received to the consultation which, although disappointing, is a similar number to previous years where 58 responses were received for the 2015/16 consultation and 41 responses for the 2014/15 consultation. The results of the consultation were debated by the Cabinet and showed that a much larger number of people viewed the consultation but then chose not to respond. It could be surmised that they were 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.

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