

# Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services  
to  
Council

on  
10<sup>th</sup> December 2015

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Agenda  
Item No.

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**Local Council Tax Support Scheme  
Community Services Scrutiny Committee  
Executive Councillor: Councillor Ian Gilbert  
A Part 1 Public Agenda Item**

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## 1. Purpose of Report

To adopt the Local Council Tax Support Scheme for 2016/17.

## 2. Recommendation

- 2.1 That the current Local Council Tax Support Scheme be re-adopted for 2016/17;  
and
- 2.2 To note that the criteria for awarding an exceptional hardship scheme is being amended to make the discount more accessible to the most vulnerable.

## 3. Background

For each financial year, each billing authority must consider whether to revise its Local Council Tax Support Scheme (LCTSS) or to replace it with another scheme. The design of the LCTSS must be finalised by 31 January each year at the very latest. Failure to provide a scheme by this date could trigger the imposition of the Government's default scheme. The Government default scheme would require the Council to revert back to the level of support that would have been provided under the national Council Tax Benefit arrangements: This would mean that the Council would have to find in the region of an additional £1.7 million from its annual budget.

The Council designed a scheme for 2013/14 which passed the reduction in funding received from Government onto working age claimants, making it a cost neutral scheme. The scheme has since been re-adopted for use in 2014/15 and 2015/16, with the latest scheme adopted at full Council on 11 December 2014.

As the scheme impacts on the Council Tax base, a key component in estimating the resources available to the Council, it is deemed prudent to confirm the

scheme in December allowing Cabinet to agree a Council Tax base in January 2016 for the financial year 2016/17.

#### 4. Current Scheme

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 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 75% of the Council Tax liability 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
- The capital limit is £6,000 so those with capital exceeding £6,000 are required to make full payment of their Council Tax liability
- The introduction of an exceptional hardship scheme which is intended to help people whose individual circumstances mean that the increased Council Tax bill is causing them exceptional hardship

The exceptional hardship scheme is discretionary and can be awarded to anyone suffering exceptional financial hardship as a result of the increased Council Tax liability.

As Members will be aware people with disabilities that have had their property adapted can apply for a reduction in their Council Tax liability. Within the Council Tax Support Scheme disability benefits are disregarded when calculating the amount of support given and additional allowances for living expenses are applied.

The scheme was designed to take into account the ability to pay and the collectability of the resultant Council Tax liability. Nearly 74% of Council Tax due from working age recipients of LCTSS was collected in year for 2013/14 and 76% in year for 2014/15. For the current year by the end of September 2015, 45% of Council Tax due from working age recipients of LCTSS has been collected, compared to 61.4% of all Council Tax due. The Council Tax team still continue to collect the outstanding Council Tax due for all years since the inception of the new scheme.

The table below sets out the current caseload level and its cost

	Pensioners		Working age		Total
Caseload	6,323	39%	9,907	61%	16,230
Cost	£5.16M	47%	£5.7M	53%	£10.8M
Of which:					
Southend on Sea Borough Council	£4.34m		£4.85m		£9.19m
Major preceptors	£0.76m		£0.85m		£1.61m

As can be seen although pensioners only account for 39% of the caseload, they account for 47% of the total cost. This is a consequence of the Government's requirement that the LCTSS must leave pensioners entitlement to assistance unaltered from the previous Council Tax Benefit arrangements, with any reduction in entitlements only affecting those of working age.

There have been few complaints about the scheme and the majority of people affected have accepted that they need to pay something. Council Tax Officers continue to offer flexible payment arrangements to those on fluctuating incomes and they use the exceptional hardship fund for those who are in extreme difficulty with their financial circumstances.

## **5. Current developments**

The legal challenges against schemes and the consultation approach are ongoing, the latest being a challenge about equality impact assessment quality. Southend's scheme remains unaffected by these challenges and remains, in a legal, financial and technical sense, robust and fair.

There have been a number of changes under the Welfare Reform Act, such as a reduced benefit cap, reduction in tax credits, proposed additional reductions in tax credits and changes to housing benefit.

It was expected that universal credit would be far more advanced than it currently is. Although in Southend the Job Centre went live with universal credit in April 2015 the number of claims moving from housing benefit to universal credit is minimal. This is the same for all areas across Essex that have "gone live" with universal credit. It remains unclear when the roll out will gain momentum as the software required for the digital solution is not yet delivered.

Due to the number of changes still being implemented and the delays on universal credit, analysis of the impact on residents is, as yet, not possible. Therefore any changes to the current scheme would be very risky and could add additional confusion for our vulnerable residents. We are, as stated, revising the exceptional hardship scheme to ensure it is available to residents who need it.

As a result of the delays to universal credit the housing benefit caseload and staff numbers within the benefit service, remain largely the same. Council Tax Support is currently calculated alongside housing benefit with both being assessed as one process. It would not be prudent to move the two processes too far apart before there are significant reductions in the housing benefit caseload.

## **6. For 2017/18 and beyond**

LCTSS is a discount rather than a benefit and the calculation and cost is part of the overall Council Tax Base. The DCLG expect Authorities to simplify the process of determining an award and managing any changes, therefore reducing the resource required to administer the scheme. The delays to universal credit roll out have negated the need to simplify the LCTSS for now but Southend will be working with the other Billing Authorities in Essex to design a robust and simpler scheme for future years.

During 2016/17 the Essex Revenues and Benefit groups will be looking at options for 2017/18 to move the schemes to a more discount based solution. Work is progressing on data sharing across the services and Authorities to reduce fraud and error within the Council Tax Base.

The benefit service currently receives notifications from the Department for Work and Pensions and Her Majesty's Revenues and Customs regarding changes in circumstances for each individual claimant. This will not continue for residents who have moved onto universal credit and the Authority will have a duty to keep abreast of these changes to protect the Council Tax Base.

A simple discount scheme will require the support of the data sharing protocol, with the other Essex Authorities, to avoid regular manual interventions on individual discounts awarded as changes in circumstances. Manual intervention of this level would be resource intensive and will not be funded by the DCLG.

Detailed consultation will be developed and options for the scheme will be put forward for Members consideration during 2016/17.

## **7. Other options**

As a result of the various Tribunal and Court cases, and the raft of changes within the Welfare Reform Act, during this year and moving into next year, it was not prudent to consider changes or attempt consultation to allow those changes during this year. Southend's current scheme has proved to be robust and is fit for purpose for 2016/17.

As the welfare reform changes progress and we can interpret the impact on Southend residents, we can move forward with redesigning the scheme during 2016/17 for 2017/18.

## **8. Reasons for Recommendations**

The LCTSS scheme must be approved by full Council by the 31 January at the very latest; failure to adhere to this will mean the Council will have to operate a default scheme which will be an added financial pressure that has not been allowed for.

There have been no administrative issues with the existing scheme and residents in the main have responded positively. Retaining the existing scheme will also give residents consistency in this continuing period of major reform to welfare benefits and the uncertainties to the universal credit timeline.

## **9. Corporate Implications**

Contribution to Council's Vision & Critical Priorities

The maintenance of a cost neutral LCTSS will assist with maintaining a robust budget. It will also provide work incentives to residents who have been long term unemployed. The scheme will protect pensioners to ensure a decent living standard and it also confirms the disregard of disability benefits.

## Financial Implications

The current scheme proposed for re-adoption for 2016/17 is designed to remain a cost neutral scheme for the Council.

If the Council reverted to the default scheme, the financial impact would be in the region of £1.7M pa.

## Legal Implications

The Local Government Finance Act 2012 provided for the introduction of the localisation of Council Tax support by making changes to the Local Government Finance Act 1992. These require that:

- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
- The authority must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

A detailed exceptional hardship discount policy has been written under section 13a of the Council Tax legislation.

## People Implications

Residents affected by the changes in their liability to pay Council Tax are actively engaged by Housing Benefit and Council Tax staff to assist them in meeting their Council Tax liabilities.

## Property Implications

There are no specific property implications associated with this report.

## Consultation

Before final approval of local schemes, Councils are required to consult:

- Major precepting authorities (Police & Fire)
- The public
- Relevant stakeholder groups e.g. Citizens Advice Bureau, voluntary bodies.

Full consultation was undertaken with these groups in 2012 prior to proposing the current scheme. As part of the adoption process, pre cabinet scrutiny feedback was supportive of both a cost neutral scheme and the details proposed to deliver the scheme. The Cabinet report recommending the scheme was called into Scrutiny with no resulting issues.

No additional consultation has been undertaken as there are no proposed changes to the adopted scheme.

## Equalities Impact Assessment

An equality impact assessment was undertaken as part of the original adoption of the current scheme and can be found attached to the full Council minute 580.

## Risk Assessment

A full risk assessment was carried out as part of the original LCTS scheme. The risks remain unaltered.

## Value for Money

The recommendations in this report will pass the Government funding reductions onto benefit claimants and not contribute to an increase in Council Tax generally.

## Community Safety Implications

There are no specific community safety issues identified.

## Environmental Impact

There are no specific environmental impacts identified.

## **10. Background Papers**

None

## **11. Appendices**

None