

# Southend-on-Sea Borough Council

## Report of Corporate Director for Corporate Services

Agenda  
Item No.

**21**

to  
**Council**  
on  
**11 December 2014**

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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 2015/16.

### **2 Recommendation**

- 2.1 That the current Local Council Tax Support Scheme be re-adopted for 2015/16; and
- 2.2 That a consultation exercise on potential changes to the scheme be undertaken during 2015, subject to compliance with the outcomes from recent legal challenges, to enable a revised scheme to operate for 2016/17.

### **3 Background**

- 3.1 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 Governments 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 £1.7 million from elsewhere in its annual budget.
- 3.2 The Council designed a scheme for 2013/14 which passed the reduction in funding received onto working age claimants, making it a cost neutral scheme. That scheme was re-adopted for use in 2014/15 at Full Council on 12 December 2013.

3.3 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 2015.

#### 4 Current Scheme

4.1 Local Council Tax Support replaced Council Tax Benefit with effect from 1 April 2013. People of pension age have been 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 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

4.2 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, with the arrears still under collection. This compares to 97.1% of all council tax. For the current year, by the end of October 2014, 50.1% of council tax due from working age recipients of LCTSS has been collected, compared to 61.3% of all council tax due.

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

	Pensioners		Working Age		Total
<b>Caseload</b>	6,891	39%	10,714	61%	17,605
<b>Cost</b>	£5.253M	46%	£5.965M	54%	£11.218M
<b>of which:</b>					
<b>Southend-on-Sea Borough Council</b>	£4.465M		£5.070M		£9.535M
<b>Major Preceptors</b>	£0.788M		£0.895M		£1.683M

4.4 As can be seen although pensioners only account for 39% of the caseload, they account for 46% 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.

4.5 There have been no complaints about the scheme in the last year and the majority of people affected have accepted that they need to pay something. 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. In a number of cases the exceptional hardship scheme has also been invoked to assist people on an individual basis.

## **5 Current Developments**

### **For 2015/16**

5.1 There have been a number of schemes challenged in the courts because of “unfair” criteria such as residency requirements and the inclusion of child maintenance as income. Southend’s scheme is not affected by these challenges and remains, in a legal, financial and technical sense, robust and fair.

5.2 While these cases were going through the courts it was prudent not to plan changes to our scheme. Essex Authorities have all taken the same approach with no major changes to schemes across the County. Tendring DC and Basildon DC both had to amend their schemes following a Tribunal ruling that residency clauses were unlawful within the Local Government Finance Act 2012.

5.3 A recent case heard by the Supreme Court, regarding consultation undertaken in 2012/13 by the London Borough of Haringey as part of the introduction of their scheme, deemed their consultation unfit as no other budgetary options other than reducing the amount of Council Tax Support given were offered. The court ruled that consultation must include options to make cuts elsewhere in the overall budget. The court did however state that as the consultation had taken place some time ago they did not need to change their scheme. Had the consultation been more recent they would have been forced to re-consult and amend their scheme accordingly.

5.4 Clearly with the various legal challenges underway it would have been foolhardy to have consulted on potential changes to Southend’s scheme for implementation in 2015/16; there would have been a very real risk, particularly in light of the Haringey case, that any consultation process would have been open to legal challenge and left the Council at risk of being forced to revert to the “default” scheme. Therefore as no consultation exercise has been carried out, it would be unwise to make adjustments to the Council’s existing adopted scheme. Council is therefore recommended to re-adopt the existing scheme for 2015/16.

5.5 The Government’s current guidelines indicate that any consultation process undertaken should be for a 12 week period.

## **For 2016/17 and beyond**

- 5.6 LCTSS is a discount rather than a Benefit and the calculation and cost is part of the overall Council Tax Base rather than a stand-alone process. 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.
- 5.7 Currently LCTSS is administered alongside Housing Benefit and is subject to a detailed means test roughly in line with housing benefit regulations. As Housing Benefit migrates to Universal Credit and the caseload administered by the Council falls along with the administration grant from the Department for Work and Pensions, the need to simplify the scheme will become increasingly necessary.
- 5.8 During 2015/16 the Essex Revenues and Benefit groups will be looking at options for 2016/17 to move the schemes to a more discount based solution. Work has already started on data sharing across services and Authorities to reduce fraud and error within the Council Tax Base. Detailed consultation will be developed for Cabinet approval and options for the scheme will be put forward in late summer / autumn.

## **6 Other Options**

- 6.1 As a result of the various Tribunal and Court cases challenging schemes across the Country 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 2015/16.
- 6.2 Following the outcomes of the various challenges we can move forward with redesigning the scheme during 2015/16 for 2016/17.

## **7 Reasons for Recommendations**

- 7.1 The LCTSS scheme must also 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 allowed for.
- 7.2 There have been no administrative issues with the existing scheme and residents in the main have responded positively. Retaining the existing scheme will give residents consistency in this period of major reform to welfare benefits.

## 8 Corporate Implications

### 8.1 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 for 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.

### 8.2 Financial Implications

The current scheme proposed for re-adoption for 2015/16 is designed to remain a cost-neutral scheme for the Council.

Where the Council to revert to the default scheme, the financial impact would be in the region of £1.7M.

### 8.3 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 hardship discount policy has been written under section 13a of the Council Tax legislation.

### 8.4 People Implications

Some residents who had not paid Council Tax before now have to contribute. Those affected and potentially affected by this change are actively engaged by Housing Benefit and Council Tax staff to assist them in meeting their council tax liabilities.

### 8.5 Property Implications

There are no specific property implications associated with this report

### 8.6 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

#### 8.7 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 full Council minute 580

#### 8.8 Risk Assessment

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

#### 8.9 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.

#### 8.10 Community Safety Implications

There are no specific community safety issues identified

#### 8.11 Environmental Impact

There are no specific environmental impacts identified

### 9 Background Papers

None

### 10 Appendices

None