

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

To
Council
on

14 December 2017

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Local Council Tax Support Scheme 2018/19

Policy & Resources Scrutiny Committee
Executive Councillor: Councillor Moring

1. Purpose of Report

To adopt the Local Council Tax Support Scheme for 2018/19.

2. Recommendations;

- 2.1 That the proposed changes to the current Local Council Tax Support Scheme be adopted for 2018/19;
- 2.2 That the administration changes be adopted for 2018/19.

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 would 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 circa £1.5 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.
- 3.3 The scheme has been re-adopted each year since. It has proved to be a robust scheme with no legal challenges and good rates of increasing collection. However, Southend has been live with universal credit since July 2017 which has some impacts on the LCTSS around claim dates and treatment of income.
- 3.4 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 2018.

4. Current Scheme

4.1 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 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 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.

4.3 The scheme was designed to take into account the ability to pay and the collectability of the resultant Council Tax liability. The amount of Council Tax due from working age recipients of LCTSS collected in year has been as follows:-

Year	% collected in year
2013/14	73.6
2014/15	76.2
2015/16	77.8
2016/17	80.6
2017/18 (to end of Nov)	60.4

4.4 Although pensioners only account for 41% of the caseload, they account for 50% 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 relatively few complaints about the criteria of 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 differential incomes and they can use the exceptional hardship fund for those who absolutely cannot pay.

5. Current developments

5.1 The Department for Work & Pensions (DWP) have implemented full service universal credit from 18 July 2017. From this date all new claims for Job Seekers Allowance, Employment and Support Allowance, tax credits or housing benefit will be transferred to a universal credit claim. The introduction of full service universal credit has seen a significant change in approach of authorities in their administration of the changes. By definition, LCTSS is a discount; it is self-funding and not subject to the constraints placed upon the authority by DWP as with housing benefit.

The main issues arising in full service sites are as follows:

- Universal credit claimants seem unwilling to claim LCTS or delay claiming leading to larger sums payable and a negative effect on collection;
 - The DWP send information to the authority on all changes to a claimants' universal credit award however minor. The impact of this large number of minimal changes having to be implemented through LCTSS has a “knock on” effect to both billing and recovery of Council Tax especially where multiple changes to universal credit generate multiple Council Tax demands, the re-profiling of instalments and the inhibition of recovery.
- 5.2 The administration funding for LCTSS continues to reduce year on year. This will become challenging as the housing benefit caseload, and administration funding, continue to reduce following the roll out of universal credit.
- 5.3 The current LCTSS will need to be simplified over the coming years to maintain sustainability as funding reduces, however it must include robust fraud and error safeguards. The simplification will need to be introduced over 2 or 3 years due to software development requirements.
- 5.4 For 2018/19 it is proposed to make adjustments to the administration of LCTSS and simplify the treatment of non-dependants within the scheme and introduce a minimum income floor for self-employed claimants after the first year of trading.
- 5.5 The proposed changes to the scheme are:
- The introduction of a minimum income floor for self-employed people, this applies to the equivalent of the minimum wage. Whilst we do not have large numbers of self-employed claimants, roughly 350, there is currently no mechanism to assume a minimum income. Often claimants declare extremely low profits year on year and claim the maximum LCTSS. Applying this rule would enable the Council to reduce the award after the first year of trading. Other authorities in Essex adopted this rule in earlier years and have not experienced any legal challenge. The adoption of this

approach will reduce the time needed to calculate an income from cash books and receipts where often the outcome is a negative income.

- The introduction of a simplified deduction for non-dependants. Currently we have 5 income bands which determine what level of deduction is made dependant on their income. This means that we must gather detailed evidence of all the income for each non dependant and input this on the system individually. By introducing a flat rate deduction for all non-dependants regardless of income this process would be negated. The system would automatically apply the flat rate deduction for each non dependant.

5.6 The proposed changes to the administration processes are:

- The removal of the requirement to complete a claim form and to take the notification from the Department for Work and Pensions as an intent to claim. We will contact the claimant at this point to investigate their circumstances and make an interim assessment. They can then commence their payments against the reduced liability avoiding the build-up of arrears which inhibit future collection.
- To save administration costs we will not take action to reassess LCTSS if the claimant's income variation is less than £10 a month. This will avoid recalculation of the award for small changes, which lead to a new liability and Council Tax Demand. Each time a new liability is calculated the legislation states that the recovery stage must return to "billing" meaning that multiple changes prevent the debt reaching summons stage. The intention of the legislation is to allow bill payers a fresh start to the debt following liability changes, however in these circumstances it prevents efficient debt recovery.

6. Reasons for Recommendations

- 6.1 The Southend job centre are now live with full service universal credit. Lessons learned from the pilot sites show negative impacts on Council Tax recovery for universal credit recipients due to late claims and multiple changes.
- 6.2 Currently self-employed claimants are claiming maximum LCTSS year on year, declaring extremely low incomes but continuing in the same trade. The introduction of a minimum income floor after the first year of trading will stop this trend.
- 6.3 The current banded system for non-dependants means the authority has to gather full income details for every non dependant to calculate the rate of deduction. By having a standard deduction for all non-dependants regardless of income will reduce the administration required for these claims.

7. Corporate implications

7.1 Contribution to Council's Vision & Corporate 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.

7.2 Financial Implications

The changes proposed start to reduce administration costs in line with grant reductions.

Were the Council to revert to the default scheme (the old council tax benefit scheme), the financial impact would be in the region of £1.5million.

7.3 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 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.

7.4 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.

7.5 Property Implications

There are no specific property implications.

7.6 Consultation

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

- Major precepting authorities (Police and 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 there have been no changes to the scheme no further consultation was undertaken up to 2015.

This year we have consulted with the precepting authorities through the Essex Group of which they are a part. We have also consulted with the public on the scheme and potential changes. The results of the consultation across Essex and Southend-on-Sea indicated acceptance of the proposed changes.

7.7 Equalities and Diversity Implications

An equality impact assessment was undertaken as part of the original adoption of the scheme and can be found attached to the Council report at that time.

7.8 Risk Assessment

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

7.9 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.

7.10 Community Safety Implications

There are no specific community safety issues identified.

7.11 Environmental Impact

There are no specific environmental impacts identified.

8 Background Papers

None

9 Appendices

None