

Southend-on-Sea Borough Council

Report of Strategic Director (Finance & Resources)

To
Council
on

13th December 2018

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Agenda
Item No.

Local Council Tax Support Scheme 2019/20

Policy & Resources Scrutiny Committee
Executive Councillor: Councillor Lesley Salter

1. Purpose of Report

To adopt the Local Council Tax Support Scheme for 2019/20.

2. Recommendations;

- 2.1 That the current Local Council Tax Support Scheme continue in its present format for 2019/20.

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 an initial scheme for 2013/14. The Government required that all schemes excluded any impact on pensioners and therefore were to be protected from the changes. Therefore, the initial scheme passed the full reduction in Government funding 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 2019.

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 an adopted 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;
- 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 In 2018/19 the Scheme was adapted to include 3 assessment changes. A flat rate deduction for Non-dependents in the household, a minimum income floor for Self Employed earners and the Universal Credit Award Notification accepted as a claim for LCTS.

4.3 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.

4.4 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 | 80.2 |
| 2017/18 | 80.2 |
| 2018/19 (to end of Nov) | 60.56 (at 30/11/17 = |

- 4.5 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.
- 4.6 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 In respect of Brexit, draft Legislation has been published preparing for any potential exit through the Social Security (amendment) (EU exit) Regulations 2018, the Regulations are made in exercise of the powers in section 8 and 25 of the European union (withdrawal) Act. They come in to force on exit day and therefore do not affect current schemes.
- 5.2 The managed migration onto Universal Credit was due to begin in January 2019. The Government announced at the end of October 2018 this would be delayed for a year after a lengthy and difficult period of preparation. A test and learn approach will be used to ensure the system is working well and make any adaptations before a full roll out, with the extended roll out period now running until 2023 instead of 2020. At this stage Southend-on-Sea Borough Council do not know where they will fall in the schedule for roll out.
- 5.3 Consideration has been given to adapting the current Local Council Tax Support Scheme but with the ever continuing changes to welfare reform and the delays to the roll out of universal credit adopting major changes to the scheme would be risky and add confusion for vulnerable residents, and could cause unnecessary additional work.
- 5.4 Other changes considered across the Essex Local Authorities Benefits Group
- The introduction of a whole household income scheme, which takes into account the income of every member of the household. Whilst this would ensure that all members of the household would contribute to the council tax liability enforcing collection of the information would be problematic as only the claimant has a duty to declare income. Assuming incomes for other members of the household who do not willingly declare could be open to legal challenge
 - The introduction of a banded scheme awarding set discounts based on the actual income of the claimant and partner. Whilst this does simplify the calculation process until the housing benefit caseload significantly reduces it will be an additional task. As we process housing benefit and LCTSS as one process a change to a banded scheme would create additional workload with unclear or possibly minimal savings to the cost of the scheme

- A further reduction to the maximum discount of 75%. This could be reduced to 70% or lower which would deliver savings to the cost of the scheme. However the savings would only be delivered if the additional liability was fully recovered. Last year we collected 80.2% of the in year debt for working age claimants who are on low incomes and there is a risk that making the initial bill larger could deter attempts to make regular payments and the overall collection could go down.
- Implement a further band restriction, currently at band D. This would represent minimal savings to the scheme, but carries the same risk of reduced recovery therefore increasing the overall cost

6. Reasons for Recommendations

- 6.1 There have been no administrative issues with the existing scheme and residents have responded positively with very few complaints. We are proposing to retain the existing scheme as it stands to give residents consistency in this continuing period of welfare reform and uncertainties to the universal credit timeline.

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

There are no changes to the Scheme therefore there are no additional financial implications.

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

There are no changes to the Scheme therefore there are no implications to Residents.

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 not consulted on the scheme as no changes are being proposed.

7.7 Equalities and Diversity Implications

An equality impact assessment was undertaken as part of the adaptations of the scheme from April 2018.

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 not contribute to an increase in Council Tax.

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