

Southend-on-Sea Borough Council

Report of Chief Executive

To
Council
on

15 December 2016

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Agenda
Item No.

Local Council Tax Support Scheme 2017/18

Policy & Resources Scrutiny Committee
Executive Councillor: Councillor Moring

1. Purpose of Report

To adopt the Local Council Tax Support Scheme for 2017/18.

2. Recommendations;

- 2.1 That the general principles of the current Local Council Tax Support Scheme be re-adopted for 2017/18;
- 2.2 That the minor technical changes made within the housing benefit assessment criteria as per paragraph 5.1 be mirrored in the Local Council Tax Support Scheme for 2017/18 to provide consistency across the schemes.

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 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 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 recovery.

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 2017.

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. A total of 76% of Council Tax due from working age recipients of LCTSS was collected in year for 2014/15 and 77.8% for in year for 2015/16. For the current year by the end of October 2016, 52.8% of Council Tax due from working age recipients of LCTSS has been collected, compared to 61.4% of all Council Tax due.

4.4 Although pensioners only account for 41% of the caseload, they account for 50.6% 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 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 Government has announced changes they are going to make to the pensioner Local Council Tax Support Scheme which mirror changes they have introduced for Housing Benefits. The proposal is to amend the working age scheme of the LCTSS to match these Government changes. These are minor changes which will not impact on the cost of the scheme but it is essential to keep these elements in both pensioner and working age schemes aligned due to software limitations. The changes are:

- Removal of the family premium
- Withdrawal of housing benefit where a person leaves the UK for 4 weeks or more. This is currently 13 weeks.
- A restriction to 2 children on living allowances used in the calculation of support
- Removal of the work related component within employment support allowance

5.2 The legislation to confirm the last 2 changes has not yet been laid but is expected in January 2017. Should for any reason they not be laid they will not be included in the working age scheme.

5.3 The roll out of universal credit remains at minimal levels with only a very slight reduction in housing benefit cases. We therefore are still processing LCTSS cases alongside housing benefit with one assessment covering both.

5.4 Consideration has been given to adapting the scheme but with 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 cause additional work.

5.5 Other changes considered across the Essex Group:

- 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. The financial saving would be minimal and application of this rule could lead to legal challenge.
- 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 77.8% 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 some 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. Retaining the existing scheme, with the minor technical changes, will give residents consistency in this continuing period of welfare reform and uncertainties to the universal credit timeline.
- 6.2 The implementation of the changes proposed by government for the pensioner scheme will give consistency across the two schemes and negate the requirement for costly software development or manual intervention on cases.
- 6.3 The LCTSS scheme must be approved by full Council by the 31 January 2017 at the very latest; failure to adhere to this will mean the Council will have to operate a default scheme which would be an added financial pressure that has not been allowed for.

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 current scheme proposed for re-adoption for 2017/18 is designed to remain cost neutral scheme for the Council.

Were the Council to revert to the default 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 to remain with the current scheme.

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 full Council minute 580.

7.8 Risk Assessment

A full risk assessment was carried out as part of the original LCTS 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