

9 December 2015		ITEM: 11 01104429
Cabinet		
Local Council Tax Scheme 2016/17		
Wards and communities affected: All	Key Decision: Key	
Report of: Sean Clark, Head of Corporate Finance		
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

The current Local Council Tax Support (LCTS) scheme was implemented on 1 April 2013. Thurrock Council agreed its current scheme through a public consultation exercise informed by cross party Members working groups. The resulting scheme was agreed by both Cabinet and the Council.

The current approved scheme recognises and takes into account people who are working and has a disregard of the first £25 of earnings. The scheme also disregards child maintenance and child benefit in calculating the support available and so provides assistance to those with children in households. At the end of March 2015 the Council had collected 96.1 per cent of council tax due from those in receipt of support.

The public consultation closed on 25 October 2015. The survey attracted 369 “hits” and 53 responses were received. These results largely support how the scheme has been structured and delivered to date.

1. Recommendation(s)

1.1 That the LCTS scheme for Thurrock Council is maintained with the inclusion of a reduction in the period an award can be backdated to four weeks. This reduction is in line with welfare reform legislation changes to Housing Benefit from 1 April 2016. The 2016/17 Scheme will now contain the following elements:

- **The first £25 per week of earned income will be disregarded when calculating levels of council tax support.**

- **The maximum capital limit is to be set at £6,000. This means anyone who has savings over £6,000 may not receive support with their council tax.**
- **For working age claimants, the maximum support that will be allowed will be 75% of their full council tax bill.**
- **Child benefit and child maintenance received will not be included as income in the calculation of council tax support.**
- **The maximum period a claim for LCTS can be backdated when a customer provides good cause for not claiming earlier is four weeks.**
- **There is a full disregard of military compensation payments, including War Disablement Pensions, War Widow's Pension and Armed Forces Compensation Scheme payments.**

2. Introduction and Background

- 2.1 The design of each LCTS scheme must be finalised by 31 January ahead of the relevant year to which it relates. Failure to provide a scheme by this date will trigger the implementation of a default Government scheme. The 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.
- 2.2 Local authorities will take on the risk that liabilities under LCTS exceed the amount projected for at the start of the relevant financial year. This risk is shared between billing and major precepting authorities with about 15% of the council tax collected by the Council being paid over to the Essex County Fire and Rescue Service and Essex Police.
- 2.3 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 agree a scheme prior to Cabinet agreeing the council tax base in January.

3. Issues, Options and Analysis of Options

- 3.1 Officers initially used the modelling tools provided by Northgate IT software providers (who support the Council's revenues systems) to test a variety of possible schemes. The key variables were: definition of income, level of disregard for weekly earnings, level of savings at which households would not be eligible for support.
- 3.2 From 2014/15, any specific funding for the LCTS scheme is rolled up into the main Revenue Support Grant (RSG) as provided to local authorities by the

Government. It will be entirely for local authorities to decide how much they are prepared to spend on their LCTS scheme. Officers have considered the findings from the consultation undertaken recently which supported the proposed scheme for 2016/17. Officers have also reviewed the structure of the scheme and noted the cost of the scheme has reduced from £8.5m to approximately £8.0m since 1 April 2013. This has increased the council tax base and reduced the cost of the scheme since inception. Given these findings officers recommend continuing the scheme based on the same principles with an adjustment made for the eligible period for backdating claims.

- 3.3 The impact of reducing the support offered by the scheme from a maximum entitlement of 75% of the council tax liability is shown in the table below and includes three scenarios (and assumes 100 per cent collection of the liability):

Max Entitlement	Claimants Affected	Reduction to cost of scheme	Average Additional annual charge to Claimant
70%	5529	£246,320	£45
65%	5596	£495,575	£89
60%	5692	£748,944	£132

Officers have considered the potential savings in each of these scenarios. However there is concern there will be a reduction in the ability to pay of people within the scheme as support is withdrawn and this will offset the savings identified above. It is noted that a 10 per cent reduction in collection rates would equate to approximately £210,000 of lost income. In addition to date there have been significant reductions in the expected support required as claimants have moved into employment.

- 3.4 Officers have maintained a close working relationship with other Essex authorities and have continued to work on the same principles that were originally agreed at the start of the LCTS schemes – this includes:

- a common approach to consultation between the billing and major precepting authorities;
- joint working on consultation on scheme designs between Essex authorities and the public;
- a standardised approaches to processes such as claims, fraud and appeals;
- common components to scheme designs;
- there remains general consensus throughout Essex that the cost of the LCTS scheme will remain within the projected costs estimated each year.

- the schemes will as far as possible include any expected growth in demand and each authority will look to reduce the complex nature of the schemes and make them easier to claim and administer.

3.5 Some components of the LCTS scheme have been directed by Government such as:-

- All low income pensioners will be protected under the national framework as defined by DCLG.
- Consideration for protection for vulnerable working age groups will be allowed for.
- Each authority's scheme will maintain work incentives wherever possible. The Government continues to stress the importance of this principle given the current economic climate and their welfare reform agenda.

4. Reasons for Recommendation

4.1 The collection rate for 2014/15 for council tax from those in the scheme was 96.1per cent. The design of the scheme, which builds in various protections and incentives, supports a high collection rate. In order to maintain collection rates the key elements of the scheme are unchanged in 2016/17.

4.2 The LCTS expenditure for 2014/15 was £8.2m. The expenditure for 2015/16 is estimated to be circa £8.0m of which circa £3.75m relates to claimants of pensionable age. It is expected that individual working age awards will increase following welfare reforms that will reduce tax credits beginning April 2016. The expected cost of the scheme for 2016/17 is proposed at £8.5m to allow for any potential additional cost to the scheme.

4.3 The introduction of Universal Credit in the Authority for single unemployed people has not made any significant change to the amount of LCTS awarded to claimants.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The LCTS is subject to an annual public consultation to seek views on the design and operation of the proposed scheme.

5.2 Appendix 1 highlights the 6 questions asked as part of the LCTS consultation together with the responses received. These were:

Question 1 - Asked should the percentage discount remain the same at a maximum 75% of the council tax billed. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 2 - Dealt with the maximum amount of capital an applicant can hold before being excluded from support. This asked if £6,000 for working age residents and £16,000 for pension age is reasonable. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 3 - Asked should the first £25.00 of wages continue to be disregarded from claims to provide a working incentive. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

Question 4 - Asked whether child benefit and child maintenance should continue to be disregarded. The majority of responses indicate these elements should be included in the scheme. Officers have considered this but have noted that by continuing to disregard these elements when awarding LCTS the Council will reduce child poverty. Hence officers recommend maintaining this disregard.

Question 5 - Asked if the limit for the period a claim can be backdated for claimants who can prove 'good cause' for not claiming earlier should be altered from 6 months to 4 weeks. This change is in line with changes to Housing Benefit from 1 April 2016. This was largely supported by the results of the consultation and is recommended as a proposed change to the scheme.

Question 6 - Asked if the current 100 per cent disregard of income from military compensation payments, such a war widow and disablement pension, should continue. This was largely supported by the results of the consultation and is proposed to be maintained within the scheme.

5.3 The responses support the current design of the scheme.

6. Impact on corporate policies, priorities, performance and community impact

6.1 The Council is required to have a LCTS scheme and hence the proposed scheme meets this requirement. The scheme supports claimants in the community and ensures the revenue raised is collectible supporting the medium-term financial strategy.

6.2 The Council also has a fair debt policy and this is reflected in the collection of council tax from claimants in the scheme.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance

The financial implications are set out in the body of the report. Any increases to the amounts billed to residents need to be balanced against likely collection rates. The overall amount to be provided by Government towards 2016/17 is now absorbed into the RSG. Consequently the scheme is funded within the overall grant funding but also needs to consider the fairness of individual measures and the financial needs of the Council. The projected cost of this scheme is expected to be £8.5m for 2016/17. This scheme is in line with the current MTFS assumptions.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal and Governance

The Council Tax Benefit system was abolished by Section 33 of the Welfare Reform Act 2012. The Local Government finance bill prescribed certain steps in the design of a local scheme, such as consultation and publication, and enables the Secretary of State to introduce both regulations and guidance relating to local schemes. The Government has included regulations to ensure that pensioners will not lose or gain relative to the previous system.

The LCTS scheme must be ratified by full Council by the 31 January 2016 at the latest to enable the authority to implement the scheme from 1 April 2016.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

The Council has a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The LCTS can be claimed by anyone in the Borough meeting the eligibility criteria.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None.

9. Appendices to the report

- Appendix 1 LCTS Survey Results October 2015
- Appendix 2 Survey comments October 2015
- Appendix 3 LCTS survey Diversity Information October 2015

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