

Committee: Cabinet

Agenda Item

Date: 2 August 2012

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Title: Local Council Tax Support

Portfolio Holder: Councillor Robert Chambers

Key decision: Yes

Summary

1. Members will recall that the Government is abolishing the national Council Tax Benefit scheme from April 2013, to be replaced by new local schemes of Council Tax Support.
2. On 21 June, the Cabinet approved the principles of a draft scheme of Local Council Tax Support, to form the basis of consultation ahead of final scheme approval by the Council in December.
3. Public consultation is due to commence on 6 August, as part of a co-ordinated County-wide approach. Formal consultation with ECC, Police and Fire needs to be initiated on 3 August.
4. Since 21 June, new information has become available that necessitates a review of some aspects of the draft Uttlesford scheme prior to consultation.
5. In particular, additional modelling work has identified that the costs of protecting vulnerable groups is higher than previously thought, so the scheme costs are now forecasted to exceed the Government funding available. This means that to achieve the cost neutral objective, either the Council's definition of vulnerable groups would need altering (so that fewer people are protected), cuts in support for non-vulnerable groups would need to be more severe, or the Council will need to use its own budget to subsidise the scheme. This report recommends the latter course.
6. The report recommends a clearer definition of vulnerable groups (and disabled people in particular) to explicitly link this with DWP disability benefits. It is still the case that the proposed scheme provides protection to all disabled people. There is no proposal to depart from the protection principles agreed at the 21 June meeting.
7. More information is now available regarding what other Essex and nearby councils are building into their schemes. The countywide principles are still intact, with local variations, as expected. Some councils have built a more explicit incentive to work into their schemes, by disregarding an element of wages earned in the assessment of a household's income. It is felt that this represents best practice, and would be an appropriate adjustment to make in the Uttlesford scheme.

Recommendations

8. The Cabinet is recommended to:
 - a) Approve, for consultation purposes, the draft Uttlesford Local Council Tax Support scheme, as set out in paragraph 15 and as amended in paragraphs 19 and 29.
 - b) Approve the definition of vulnerable groups as set out in paragraph 29.
 - c) Agree, in principle, that the Council should subsidise the LCTS scheme to ensure cost neutrality for ECC, Police and Fire, the extent to which direct LCTS expenditure exceeds Government funding provided (estimated at £33,000 in the first year).
 - d) Authorise the Assistant Chief Executive – Finance to initiate the consultation process.
 - e) Authorise the Assistant Chief Executive – Finance, in consultation with the Finance Portfolio Holder, to review staffing levels in the Revenues Team to ensure that recovery work is adequately resourced, and to request funding contributions from ECC, Police and Fire towards the additional recovery costs that the Council will incur.
 - f) Agree that the UDC LCTS scheme will be reviewed during 2013/14 concurrent with a review of other council tax discounts i.e. empty homes and second homes.
 - g) Note the other information in this report, including the estimated effect on Uttlesford households, and the Equalities Impact Assessment.

Financial Implications

9. The recommendations have an estimated direct cost of £3.560 million, which will be borne in proportion by the four major precepting authorities of UDC, ECC, Police and Fire. This compares with provisional Government funding of £3.527 million, which gives rise to an estimated shortfall of £33,000 in the first year.
10. If approved, the recommendation commits UDC to funding the £33,000 shortfall, so that for ECC, Police and Fire, LCTS expenditure does not exceed the available funding. To meet this cost in the first year a sum will be allocated from the existing LGRR contingency reserve. During 2013/14, the LCTS scheme will be subject to review, together with a review of other council tax discounts (i.e. empty homes and second homes) which are expected to result in increased council tax income from 2014, offsetting the unfunded LCTS cost.
11. The proposed scheme results in the direct costs of support being in line with the provisional Government funding (plus the £33,000 UDC contribution). The scheme does not provide for additional costs arising from increased demand,

council tax inflation or recovery losses as to do so would require even more severe reductions in support for low income households. Such costs would be borne in proportion by the four authorities. UDC has established contingency reserves for this issue pending a wider review of other council tax discounts.

12. It will be necessary to increase Revenues Service staffing levels cope with the additional recovery work. This would have an ongoing budget implication of around £30,000, towards which contributions from ECC, Police and Fire will be invited (as it will be in their financial interests for recovery work to be adequately resourced). Officers will examine options for this issue and discuss proposals with the Finance Portfolio Holder prior to implementation.

13. Further discussion of the financial implications is set out in detail in the 21 June [Cabinet report](#).

Background Papers

14. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

[LCTS report](#) to Cabinet 10 May

[LCTS report](#) to Cabinet 21 June

DCLG [LCTS website](#)

Impact

Communication/Consultation	Proposals for the draft scheme have been drawn up in consultation with other Essex authorities. The draft scheme will be subject to formal consultation with ECC, Police and Fire. Consultation with the public and key stakeholders will take place from 6 August as part of a co-ordinated county-wide exercise. The Council will write to existing Council Tax Benefit Claimants.
Community Safety	No specific implications.
Equalities	The Equalities Impact Assessment noted by the Cabinet on 21 June is re-attached to this report. It has been updated to reflect the change recommended in this report i.e. include a wages disregard.

Health and Safety	No specific implications.
Human Rights/Legal Implications	Adoption of LCTS is a statutory requirement. Failure to do so will lead to a default scheme being imposed by the Government.
Sustainability	An objective of the scheme is to ensure, to a reasonable extent, stability and sustainability in the Council's finances, subject to the risks identified in the report.
Ward-specific impacts	No specific implications except to the extent that the number and proportion of households in receipt of CTB vary in different towns and villages across the district.
Workforce/Workplace	<p>Significant levels of staff time are needed to implement this project to ensure smooth implementation and effective handling of customer enquires. Temporary increases in staffing are likely to be necessary.</p> <p>There shall be an ongoing additional resource requirement for recovery work, with possible funding contributions from ECC, Police and Fire towards this.</p>

Draft UDC LCTS scheme approved on 21 June

15. On 21 June, the Cabinet approved the following principles of a draft Uttlesford Local Council Tax Support Scheme, to form the basis of consultation:

- a) The scheme to be 'cost neutral' with the total cost of LCTS in line with the estimated Government funding available.
- b) All pensioners will be protected from the changes
- c) Vulnerable working age people will be protected from the changes. Vulnerable groups to include the following:
 - Someone in the family receives Disability Living Allowance or Carers Allowance
 - Registered Blind
 - Long term illness, for more than 28 weeks when terminally ill, or 52 weeks in any other case
- d) Non-vulnerable working age CTB claimants will see a reduction in the amount of support given

- e) The scheme will be means tested, using a lot of the principles of the current CTB scheme
- f) Restriction of support to a maximum of 80% of the Council Tax liability
- g) To reduce the capital cut off limit from £16,000 to £6,000
- h) Minimum award of £5 per week; awards currently worth less than £5 per week will be cancelled.
- i) Child Benefit will no longer be disregarded from the income assessment
- j) Inclusion of income from Child Maintenance subject to a £15 weekly disregard per family.
- k) The current Second Adult Rebate scheme will not be treated as a class of eligible claimants
- l) Reduce the period of backdating (with good cause) from the current 6 months to 3 months
- m) Minor changes to treatment of “changes of circumstances” after the award of support to remove the requirement to calculate and award “underlying entitlement” when overpayments occur
- n) A small sum will be made available to cover ‘exceptional hardship’ cases.

16. On 21 June, costs and impacts of the proposed draft scheme were as follows:

Total cost of CTB under current scheme: **£4.062 million**

Total estimated Government funding for LCTS: **£3.527 million (13.2% cut)**.

Total estimated cost of UDC LCTS scheme: **£3.531 million**

Excess of cost over funding: **£0.004 million** (i.e. £4,000)

Reduction in support for:

pensioners with CTB: **Nil**

vulnerable working age people with CTB: **Nil**

non-vulnerable working age people with CTB:
Average **31.2% (£6.06 per week)**

Updates and proposed refinements to the draft scheme

Work incentives

17. The other issue is that a neighbouring council has taken the initiative to build in an explicit incentive to work into their scheme.
18. This is achieved by disregarding up to £25 per week of wages earned from the assessment of a household's income, used to determine eligibility for support. The effect is that working households will see the financial benefit of wages earned, and thus there is a genuine incentive to work. On current caseload this would help 31 households.
19. Although the draft UDC scheme inherently had a work incentive element, by virtue of the fact that non-vulnerable working age people shall have their support reduced and therefore would need to work to safeguard their living standards, the scheme lacked a direct and explicit incentive such as the wages disregard. It is proposed that this now be incorporated into the draft UDC scheme.

More up to date caseload information

20. To prepare documents for consultation the opportunity was taken to update the financial modelling, based upon the most up to date caseload information (case load fluctuates on a daily basis).
21. The modelling identified two key changes from the information reported to Cabinet in June:
22. Firstly that CTB Caseload had reduced from a total of 4,059 to a total of 4,004, consequently the starting position is a lower cost.

Total cost of CTB under current scheme: **£3.993 million**

Total estimated Government funding for LCTS: **£3.527 million (11.7% cut)**

23. Secondly that refinements in the use of the Northgate modelling tool had identified that the number of households fulfilling the proposed definition of "working age vulnerable" was larger than previously thought. In particular the earlier modelling did not pick up passported cases (people qualifying for CTB automatically due to already being in receipt of certain DWP benefits).
24. On 2nd July the DWP published new guidelines on disability benefits, including the replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIP) from next year. DWP policy is to focus payments on disabled people who face the greatest barriers to leading full, active, independent lives. DWP will be reducing or removing support from people who, upon medical assessment, are deemed able to work. The DWP's view is that many people currently in receipt of DLA are in fact able to work.

25. The proposal in the draft UDC LCTS scheme to protect all households in receipt of DLA is therefore somewhat inconsistent with emerging DWP policy. A scheme that only protected those people towards the higher need level would be more consistent.
26. However, based upon narrative descriptions of Low, Medium and High need (Appendix A), which shows that disabled people assessed to have Low and Medium need still encounter considerable difficulties, it is felt that protection of all disabled claimants should continue to be a feature of the UDC LCTS scheme.
27. The Council will not be responsible for assessing degrees of disability. Instead the Council will accept evidence of receipt of DLA/PIP as evidence of disability and entitlement to protection under our scheme. As and when the DWP decides, following medical assessment, that the payment of DLA/PIP should be withdrawn, then the person would also fall out of the protection in the UDC LCTS scheme, and be treated as a non-vulnerable working age person.
28. The policy intention of the vulnerable category of "long term sick" will be those who are entitled to receive PIP from April 2013 so there is no need to separately identify this category.
29. In line with the above, the following is a clarified definition of vulnerable people under the UDC LCTS, which is consistent with the principles and intentions approved by Cabinet on 21 June:
- Claimant, Partner or Dependent receives DWP Disability Living Allowance and/or Personal Independence Payments
 - Claimant or Partner receiving Carers Allowance
 - Claimant or Partner is Registered Blind.
30. The net effect of the above three changes is as follows:
- Total cost of CTB under current scheme: **£3.993 million**
- Total estimated Government funding for LCTS: **£3.527 million (11.7% cut)**.
- Total estimated cost of UDC LCTS scheme: **£3.560 million**
- Excess of cost over funding: **£0.033 million** (i.e. £33,000)
- Reduction in support for:
- pensioners with CTB: **Nil**
 - vulnerable working age people with CTB: **Nil**
 - non-vulnerable working age people with CTB:
Average **32.7% (£6.09 per week)**

Subsidy of the LCTS scheme

31. It is proposed that, in consultation with ECC, Police and Fire, it be made clear that UDC will subsidise the excess of cost over funding (estimated at £33,000) from its own budget. That is to say, the principle of cost neutrality for ECC, Police and Fire will be preserved.
32. In practice, this could be covered from the existing LGRR earmarked reserve, on the basis that it is likely that from 2014 adjustments to other council tax discounts (for second homes and empty homes) will increase income to the four authorities, thus offsetting the additional LCTS cost.
33. It remains the case that the proposed draft scheme does not include any headroom to cover:
- Demand risk (increase in the number of people eligible for support, or an increase in the number of people falling within the protected groups)
 - Inflation risk (increases in Council Tax levels by precepting authorities)
 - Recovery risk (bad debt losses arising from trying to collect larger amounts of Council Tax from low income households)
34. Members are asked to note that making available a small sum to cover exceptional hardship cases is different from the Cabinet's decision to establish a "Hardship Fund". The Hardship Fund is a separate initiative by the Administration with the objective of ensuring that the Council can respond effectively to challenges arising from potential increases in the number of people presenting themselves as homeless (and to accommodate people in Uttlesford rather than Harlow as at present), and additional discretion to support voluntary organisations. The criteria and principles for operation of the Hardship Fund will be the subject of a report to a future Cabinet meeting.

Comparison with other Councils

35. Most councils in Essex are now at the point where draft scheme proposals are being approved for consultation. Officers are also in liaison with the three neighbouring non-Essex councils, i.e. East Herts, South Cambs and St Edmundsbury.
36. Appendix B is a schedule of the aspects expected to feature in each authority's draft scheme.
37. The schedule shows that every authority is approaching the issue differently, as expected because each authority's needs and circumstances are different. All of the aspects of UDC's proposed scheme feature in at least one other authority's scheme, apart from the proposal to protect all disabled people from

reductions in support. There are no aspects that appear in all authorities' schemes except UDC.

Consultation and next steps

38. Formal consultation with ECC, Police and Fire will commence immediately following the Cabinet meeting, i.e. on 3rd August.
39. Consultation with the public and key stakeholders will commence on 6th August as part of a co-ordinated county-wide access, facilitated by ECC.
40. Letters to existing UDC CTB claimants will be issued shortly, to confirm to protected households that they are protected, and to explain to non-protected households that from next year the amount of support they receive will reduce and as a result they will be required to pay more Council Tax.
41. Consultation will run for six weeks, until 14 September.
42. Responses will be analysed and proposals for a final UDC scheme will be brought to the Cabinet on 25 October for consideration.
43. The proposed final scheme as endorsed by Cabinet will be submitted to the Full Council meeting on 11 December for final approval.
44. Further letters to existing CTB claimants will be issued in December.
45. The Council will set its 2013/14 budget and Council Tax in late February 2013. Council tax bills based upon LCTS instead of CTB will be issued in early March.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Failure to adopt a local scheme in time, which would lead to the Government imposing a default scheme	1 (active project management in place)	4 (an imposed default scheme would not be cost neutral and failure would be damage the Council's reputation)	Continue with active project management Proactive resource planning Ensure Member awareness of key issues and decisions required
The Uttlesford scheme is not supported by County, Police and Fire	2 (positive engagement with County and Fire has taken place and they are supportive of the	3 (UDC is the decision making body but if the scheme is not supported then there could be consequences e.g. challenge, lack of	Design a cost neutral scheme Consultation and engagement

Risk	Likelihood	Impact	Mitigating actions
	work done to date.	support and budget cuts	
Challenge on equality grounds	2 (the proposals adversely affect certain groups i.e. non-vulnerable working age people in receipt of CTB)	3 (defending a challenge could be costly and jeopardise timely adoption of the scheme)	Equalities Impact Assessment Stakeholder engagement
LCTS costs increase because of additional demand or increases in council tax precepts	3 (publicity could increase demand; economic difficulties could increase demand; precepts likely to increase in the future)	2 (adverse financial implications for District, County, Police, Fire)	Close monitoring Annual review of the scheme
Loss of revenue due to irrevocability of debt from low-income households	4 (bad debts are inevitable)	2 (adverse financial implications for District, County, Police, Fire)	Proactive communications with affected households Invest in recovery resources; review procedures Seek funding contributions from County, Police, Fire

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendices

- A Descriptors of Disability – Low, Medium and High Need
- B Schedule of other district council LCTS schemes
- C Equalities Impact Assessment

APPENDIX A

Examples of Disability from the “Daily Living Activities and descriptors” based on the second draft of regulations (and the explanatory notes) intended to highlight the Government’s current thinking on Personal Independence Payments (PIP) that will replace Disability Living Allowance (DLA) from April 2013. They will be subject to further development and consultation. These are available at www.dwp.gov.uk/policy/disability/personal-independence-payment/.

The examples given below are for illustration only; any assessment will be made by the DWP, usually including a medical assessment.

Low needs (currently 73 claimants at UDC of those 6 are currently employed)

Claimant or partner has a physical and/or mental disability, so needs assistance with caring for him/herself or walking difficulties or both.

Eg unable to prepare and cook a main meal from basic ingredients: i.e. needs to use an aid or appliance to either prepare or cook a simple meal, or cannot cook a simple meal using a conventional cooker but can do so using a microwave or needs prompting to either prepare or cook a simple meal.

Needs to use an aid or appliance to eat/drink, groom; or needs prompting or assistance to groom; or needs to use an aid or appliance to manage toilet needs or incontinence.

Examples of aids might be ‘pivot on a kettle’; enlarged handles on cutlery, kitchen and /or grooming tools; raised toilet seat; grab rails; ramps;

Deaf or blind people, who are unable to walk outdoors in unfamiliar places without guidance or supervision from someone else. (They are able to live independently in familiar surroundings).

This category will often include drug addicts and alcoholics in the current Disability Living Allowance rules.

These claimants will have at least £50 per week additional income from disability benefits, premiums and allowances to cover the cost of purchase of disability aids, or occasional use support e.g. taxi rather than bus. For many of these people their disability does not act as a barrier to employment, as reasonable adjustments may be made to household and/or workstation.

Medium (154 claimants at UDC of those 16 are working)

Mobility issues:- eg walking difficulties; using walking sticks/crutches, zimmer frame or wheelchair outside, able to move around indoors with some use of grab rails.

Assistance required during the day (but not at night) with washing, dressing or eating, including dialysis patients; and/or claimants with difficulty communicating needs (mute or deaf); advanced alcoholism.

These claimants usually have an additional £100 per week in disability benefits, premiums and allowances.

Higher needs. (178 claimants at UDC- with 34 households in employment)

- Disabled child (qualifying for DLA care) (27)
- Carers receiving to carers allowance (63)
- Claimant or partner registered blind (currently 6 households but they are all pensioners and protected)
- Claimant or partner needs help or supervision day **and** night for personal care e.g. eating, washing, getting to and using the toilet, communicating needs. (72)

These claimants generally have between £120 and £200 per week of additional income from disability benefits and allowances and premiums to source help with personal needs.

APPENDIX B

**Options being considered by Essex Authorities
for consultation on Local Council Tax Support**

Authority	Basildon	Braintree	Brentwood	Castle Point	Chelmsford	Colchester	Epping Forest	Harlow	Maldon	Rochford	Southend	Tendring	Thurrock	Uttlesford	East Herts	St Eds	East Cambs
ctax band restriction	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	info expected 1/8/2012	to be confirmed	Y
% ctax liability restriction	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y
removing second adult rebate	Y	Y	N	Y		Y	Y	Y	N	Y		Y	Y	Y			Y
removing underlying entitlement	Y		N	Y		N	Y	Y	N	Y		N	N	Y			
minimum award restriction	Y	N	N		N	N	N	N	N	N		N	N	Y			Y
change to non-dependent deductions	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	N	N			Y
change to means test taper	N	N	Y	N	N	N	N	N	N	N	N	N	N	N			N
change to income / earning disregards	N	Y	N	Y	Y	N	N	Y	N	N	N	N	Y	Y			Y
including previously disregarded income	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y			N
changes to capital / limits	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y
% reduction in final support paid	N	N	N	N	N	N	N	N	N	N	N	N	N	N			N
protection for disabled	N	N	N	N	N	N	N	N	N	N	N	N	N	Y			
protection for lone parents																	Y
Cabinet Agreed	Y	Y		Y	Y			Y		Y			Y				Y

Information believed to be correct as at 18 July.
An updated version will be brought to the Cabinet meeting