

Committee: Cabinet

Agenda Item

Date: 14 July 2016

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Title: 2017/18 Local Council Tax Support Scheme

Portfolio Holder: Councillor Simon Howell

Key decision: No

Summary

1. There is a requirement to annually review the Local Council Tax Support (LCTS) Scheme, and propose changes to the scheme for the following financial year. The decisions made, even if no change is proposed, must then be consulted upon before a decision is taken at Full Council in December on the final scheme for the following financial year.
2. As can be seen from the table in paragraph 8 Uttlesford has the lowest percentage contribution requirement of any authority in Essex. This demonstrates that whilst the council has had sufficient funds to support the scheme it has done so.
3. In 2013/14 when the original scheme was introduced the contribution rate was set at 8.5% and this increased in 2014/15 to 12.5%. This rate was frozen in 2015/16 and 2016/17.

Recommendations

4. The Cabinet is recommended to approve that
 - a) a consultation process be carried out on the following draft proposals:
 - i. The 2017/18 LCTS scheme is set on the same basis as the 2016/17 scheme and therefore the contribution rate is frozen for the third consecutive year.
 - ii. The discretionary subsidy grant for town & parish councils to be reduced by 50% in 2017/18.
 - b) The LCTS scheme is aligned with the Housing Benefit and Universal Credit reforms as detailed in paragraph 26.
 - c) The LCTS scheme is aligned with the Housing Benefit and Universal Credit reforms as detailed in paragraph 27 as and when the legislation is implemented.

Financial Implications

5. Detailed in the main body of this report.

Background Papers

6. None.

Impact

Communication/Consultation	Proposals to be subject to public consultation and discussions with major preceptors
Community Safety	None.
Equalities	An equalities impact assessment will be completed as part of developing final proposals for decisions by Cabinet and the Council later in the year.
Health and Safety	None.
Human Rights/Legal Implications	Compliance with relevant legislation.
Sustainability	The objective is to achieve a financially sustainable set of arrangements.
Ward-specific impacts	None.
Workforce/Workplace	Ongoing demands on the Revenues & Benefits, Housing and Customer Service teams

Local Council Tax Support (LCTS)

7. LCTS replaced Council Tax Benefit (CTB) from 1 April 2013. The Council has adopted a scheme which has the following key elements:
 - a) Pensioners on low income protected from adverse changes (as required by Government)
 - b) Disabled people, carers and blind people on a low income receive discretionary protection from adverse changes
 - c) Working age people previously on full CTB pay no more than 12.5% of the council tax bill
 - d) £25 per week of earned wages income disregarded from assessment (to provide a work incentive)
 - e) Child Benefit and Child Maintenance disregarded from assessment (to minimise exacerbation of child poverty, or accusations of same)

- f) Hardship Policy to enable additional support for genuine extreme hardship cases
- g) Discretionary subsidy from UDC budget to ensure cost neutrality for County, Police and Fire (because the cost of the 'generous' UDC scheme is greater than the Government funding provided)
- h) Funding of parish councils to ensure no effects on parish council tax Band D calculation (caused by LCTS discounts reducing the taxbase).

2016/17 Contribution Rates across Essex

8. The council has the lowest percentage liability cap within Essex as is shown below:

	2013/14 % Contribution	2014/15 % Contribution	2015/16 % Contribution	2016/17 % Contribution
Basildon	15	25	25	25
Braintree	20	20	20	20
Brentwood	20	20	20	20
Castle Point	30	30	30	30
Chelmsford	20	23	23	23
Colchester	20	20	20	20
Epping Forest	20	20	20	25
Harlow	24	24	24	26
Maldon	20	20	20	20
Rochford	20	20	20	20
Southend-on-Sea	25	25	25	25
Tendring	15	15	20	20
Thurrock	25	25	25	25
Uttlesford	8.5	12.5	12.5	12.5

Caseload

9. The following table details the caseload as at 31 March for each year and shows a significant drop in the number of Working Age claimants (40% between 2012/13 and 2016/17). Whilst this is positive and welcomed it does mean any future changes to the scheme are directly impacting a much smaller group of people which means for them bigger changes than previously encountered. In addition, as the group is smaller the monies raised from increasing the contribution rate has also decreased.

	2012/13 Baseline Caseload	2013/14 Caseload	2014/15 Caseload	2015/16 Caseload	2016/17 Caseload
Pensioner and Disabled Claimants	2,540	2,586	2,541	2,497	2,426*
Working Age Claimants	1,321	1,132	957	920	789
Total	3,861	3,718	3,498	3,417	3,215

* The small drop in pensioner and disabled claimants may be a consequence of the change in retirement age from 65 to 67

Costs

10. Under the old CTB scheme the council was refunded the full cost. When LCTS commenced the government only gave councils 90% of the cost with the expectation that the cost of the lost 10% would be passed onto the taxpayer. The core funding of UDC's share has been paid through the Revenue Support Grant (RSG) which has been reducing for the last few years as it is being replaced by New Homes Bonus and Business Rates Retention. In 2017/18 the RSG figure will be reduced to a negligible amount of £251,000 and in 2018/19 the RSG will be reduced to zero.
11. With the RSG forecast to decrease significantly in 2017/18 it will add an additional £131,000 to the cost of administering the current scheme.
12. The cost of the 2016/17 scheme for UDC was £209,000 and this increases to a forecast £340,000 for 2017/18. Whilst the proposal is to freeze the LCTS scheme for 2017/18, reducing RSG has led to the overall increase in cost. The total increase in cost is mitigated by the 50% reduction in the Parish and Town Council Grants and the extra income generated through the Essex Sharing Agreement (see point 18).
13. This figure would be reduced if the contribution rate was increased for Working Age group claimants.

Increasing the Contribution Rate

14. If the cap is increased the scheme would generate more income. However as the Working Age group is reducing in size the amount of additional income per percentage point is also decreasing.
15. When the LCTS scheme for Uttlesford was established it was anticipated that collection from the taxpayers may be a challenge and therefore the expected collection rate was set at 75%. Collection has not proven to be a major issue with the current rate being in excess of 95%. For this report we have assumed a collection rate of 95%.
16. An increase of contribution rate of 2.5% would generate an additional council tax potential income of £31,770 of which £26,640 would be shared between the major preceptors and the council would retain £5,130. The impact on a Working Age claimant who receives the maximum amount of LCTS would be an additional 75p per week to pay adding up to £39 for a full year.

Income Sharing Agreement

17. An Essex wide income sharing agreement was entered into with all billing authorities and the major preceptors at the time of implementation of the new LCTS scheme. The main principles of the agreement are to ensure a joint approach to maximising income collection, reduce fraud and ensure compliance. In monitoring and working proactively on fraud this ensures that our Taxbase is maintained at the maximum level generating extra revenue for both the major preceptors and billing authorities.

Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.

The increased income generated specifically from these activities and internal decisions by UDC each year is monitored and the preceptors have agreed to share their element of the extra income with the Local Authorities.

Two posts are being funded through this agreement from 2015/16 for a period of three years to work directly on all areas of fraud and compliance within Council Tax. The income generated directly from this work will also be shared as per the agreement.

Funding for Town/Parish Councils

18. A key feature of the LCTS scheme is that the LCTS discounts reduce the taxbase, and therefore affect council tax calculations, including the headline Band D figure.
19. For 2013/14 UDC decided that the most appropriate course of action was to distribute funds to town & parish councils in such a way as to ensure that they are neither advantaged or disadvantaged by the LCTS taxbase adjustments. The effect is that the parish Band D figure is not affected by these adjustments, and any increase or decrease in the Band D figure was solely because of changes in the town/parish council's budget. This approach of funding Parish and Town Councils has continued for subsequent years up to and including 2016/17.
20. As shown in point 10 the significant reduction in RSG in 2017/18, means the council will bear the major financial burden of the LCTS scheme including the element for Parish and Town Councils. The following table shows, (where this information is available), the approach other Local Authorities are taking with regard to the payment of grant funding to Parish/Town Councils for the LCTS schemes.

Local Authority	Grant for Parish/Town Councils
Basildon	100% funded (no plans to change)
Brentwood	100% funded (no plans to change)
Castle Point	Decreased grant in line with RSG funding reductions
Chelmsford	Decreased grant in line with RSG funding reductions
Colchester	Decreased grant in line with RSG funding reductions
Epping Forest	Decreased grant in line with RSG funding reductions
Harlow	No Parishes
Maldon	Withdrew grant from 2016/17
Rochford	Decreased grant in line with RSG funding reductions
Southend	Decreased grant in line with RSG funding reductions
Thurrock	No Parishes

21. It is proposed that the grant funding allocated to Parish and Town Councils is reduced in line with RSG funding. This means a 50% cut to the grant funding and the following table shows the financial implications for the Parish and Town Councils for 2017/18.

Grant Payment					
Parish/Town Council	2016/17	2017/18	Parish/Town Council	2016/17	2017/18
Arkesden	130	65	Leaden Roding	458	229
Ashdon	658	329	Lindsell	0	0
Aythorpe Roding	48	24	Little Bardfield	190	95
Barnston	1,183	592	Little Canfield	591	296
Berden	248	124	Little Chesterford	48	24
Birchanger	1,016	508	Little Dunmow	698	349
Broxted	769	385	Little Easton	744	372
Chickney	0	0	Little Hallingbury	1,289	645
Chrishall	479	240	Littlebury	919	460
Clavering	503	252	Manuden	236	118
Debden	489	245	Margaret Roding	307	154
Elmdon & Wendens Lofts	357	179	Newport	3,076	1,538
Elsenham	2,650	1,325	Quendon & Rickling	970	485
Farnham	287	144	Radwinter	653	327
Felsted	3,321	1,661	Saffron Walden	56,194	28,097
Flitch Green	618	309	Sampfords, The	384	192
Great Canfield	27	14	Sewards End	144	72
Great Chesterford	2,048	1,024	Stansted	11,503	5,752
Great Dunmow	37,242	18,621	Stebbing	1,553	777
Great Easton & Tilty	798	399	Strethall	0	0
Great Hallingbury	394	197	Takeley	7,038	3,519
Hadstock	356	178	Thaxted	7,642	3,821
Hatfield Broad Oak	1,573	787	Ugley	226	113
Hatfield Heath	1,441	721	Wendens Ambo	310	155
Hempstead	352	176	White Roding	206	103
Henham	744	372	Wicken Bonhunt	87	44
High Easter	213	107	Widdington	384	192
High Roding	0	0	Wimbish	435	218
Langley	74	37			
	58,018	29,009		96,285	48,143
			Total	154,303	77,152

22. Since the implementation of the LCTS scheme Uttlesford has seen a year on year reduction in the number of working age claimants, which reduces the financial impact on both the Council and Parish and Town Councils. The table below illustrates the reducing caseload.

Year	Number of claimants	% Reduction
2013/14	2,549	
2014/15	2,398	5.9%
2015/16	2,230	6.9%
2016/17	2,013	9.8%

LCTS Administration, hardship and recovery funding

23. As part of the scheme the major preceptors (County, Fire and Police) provide funding of £34,000 per annum to employ an officer to ensure the efficient administration of the LCTS scheme. The officer also works with those people affected by the scheme so as to ensure they make their payments and thereby avoid costly recovery action being taken.
24. Essex County Council contributes £7,000 per annum towards the running of the hardship scheme which has a £15,000 annual budget (£8,000 UDC element).

Housing Benefit and Universal Credit Reforms

25. Housing Benefit and Universal Credit have been subject to changes in legislation as part of the Government reforms of the benefit system. It is recommended that the LCTS scheme adopts these changes to ensure that all benefits are aligned.
26. There are 6 key reforms to the way benefits are assessed and of these the following 3 have already been implemented and it is recommended that these are incorporated into the LCTS scheme for 2017/18.
- Removal of the family premium for all new working age claimants
 - Reduction of backdating of a claim from 6 months to 1 month
 - Removal of the element of the work related work activity component in the calculation of the current scheme for new employment and support allowance applicants
27. There are 3 remaining reforms that are likely to be implemented by April 2017 and it is recommended that the LCTS scheme also incorporates these into the 2017/18 scheme as they become applicable.
- Reducing period of absence from Great Britain from 13 weeks to 4 weeks whilst still being able to claim benefits
 - Limiting the number of children within the calculation to a maximum of 2
 - Removal of the severe disability premium where another person is paid universal credit (carers element), to look after them

Consultation

28. It is intended that the consultation would start on or about the 1st August and would run until the end of September 2016. The consultation would include:
- a) Citizens Panel e-survey
 - b) UDC Website / online survey
 - c) All Town and Parish Councils
 - d) Major Preceptors
29. The results of the consultation will be included in the reports that go to Cabinet and Scrutiny in the autumn.

Putting it all together

30. The following table brings together all the costs and income arising from the recommendations in the report. It shows that the forecasted position for UDC in 2017/18 is a net cost of £340,000.

£ '000	Total Forecast 2017/18	County, Fire and Police Share	UDC Forecast Share 2017/18
LCTS Discounts	3,170	2,726	444
RSG - LCTS Element of funding	0	0	0
LCTS Scheme cost	3,170	2,726	444
Major Preceptors - Sharing Agreement (16%)	0	150	(150)
Net of LCTS Scheme & Discounts	3,170	2,876	294
UDC Funding of Parish/Town Councils	77	0	77
Major Preceptor LCTS Funding (Admin & Recovery)	0	34	(34)
LCTS Hardship Scheme	15	7	8
ECC Funding of Hardship Scheme	0	5	(5)
Total Net Cost	3,262	2,922	340

Timetable

31. The table below sets out the timetable for the setting of the 2016/17 LCTS Scheme

Cabinet	14 July 2016	Report to agree draft proposals and initiate consultation process
Consultation process	August – September 2016	Citizens Panel e-survey UDC Website / on line survey Town/parish councils Discussions with major preceptors
Scrutiny	22 November 2016	Opportunity to review consultation outcomes and finalised proposals prior to consideration by Cabinet and Full Council
Cabinet	30 November 2016	Consider consultation responses and determine final proposals for 2017/18
Provisional 2017/18 Local Government Finance Settlement, including LCTS funding	Late November / Early December 2016	Indication of available funding and council tax referendum limit
Full Council	8 December 2017	Approve 2017/18 LCTS scheme
Full Council	23 February 2016	2017/18 Budget setting and council tax resolution
2017/18 Council Tax bills issued	Early-Mid March 2016	2017/18 LCTS scheme implemented

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Assumptions about costs and income levels are incorrect	3 (a high degree of variability and estimation is involved)	3 (adverse or favourable cost affecting the council budget/collection fund)	Monitor trends closely and review scheme each year to make necessary adjustments.

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.