

Committee: Scrutiny

Agenda Item

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Title: Local Council Tax Support – Scheme Overview

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Information only

Summary

1. The new local council tax support (LCTS) scheme was introduced in April 2013 to replace council tax benefit (CTB) by central government.
2. The CTB was administered by the council and the council claimed back the expenditure incurred on discounts allowed to non-working and low income residents from the Department of Work and Pensions (DWP) via the subsidy grant. This meant that there were no financial implications for the council relating to council tax discounts applied.
3. The LCTS scheme was introduced by central government primarily to incentivise claimants to return to work. The scheme was delegated to Local Authorities (LA's) and the initial funding was allocated via the Revenue Support Grant. LA's were given discretion to set their own scheme criteria and the contribution rate residents would have to pay.

Recommendations

4. None

Background Papers

5. Cabinet Reports
[21 June 2012](#)
[20 November 2012](#)
[24 October 2013](#)
[17 September 2014](#)
[18 June 2015](#)

Impact

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	No specific implications
Health and Safety	No specific implications
Human Rights	No specific implications
Legal implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

Introduction

6. The Uttlesford LCTS Scheme was prepared within the framework of an Essex Wide scheme that sought to achieve cost neutrality, the cut in government funding was to be offset by making reductions in the amount of support certain households received.
7. All Essex LA's adopted the following common principles when designing their own schemes;
 - That all billing Authorities will adopt a support scheme based largely on the existing Council Tax Benefit Regulations 2006. This will essentially be means tested
 - As defined by Central Government, all pensioners will be protected under the national framework defined by Department of Communities and Local Government (DCLG)
 - Protection for vulnerable working age groups will be in line with the existing Council Tax Benefit system with specific protection given to families and to persons with disabilities
 - Each of the LA's schemes will incentivise people to return to work
 - The schemes will be cost neutral, with the level of support being directly in line with the level of grant allocated by Central Government
 - The schemes will, as far as possible, allow for expected growth in demand
 - As far as possible the new support scheme will be easy to claim and administer
8. Uttlesford's original scheme was introduced in April 2013; the initial scheme was designed to restrict the maximum support to 91.5%. By setting the minimum contribution at 8.5% the council was able to apply for the transitional grant from central government to help support the implementation of the new scheme.
9. The initial scheme also included the following criteria;
 - Pensioners are protected
 - Vulnerable people (disabled, carers, blind and long term illness) are protected
 - Non-vulnerable working age households will see a reduction in the support they receive and therefore will be required to pay more council tax
 - The calculations for support will be restricted to a maximum of 91.5% of the Council Tax liability
 - Child benefit and child maintenance will continue to be disregarded in the assessment of a household's income
 - Capital cut off to be retained at £16,000

- £25 per week of wages earned to be disregarded from the income assessment
- A minimum award of £2
- Second adult rebate scheme will not be treated as a class of eligible claimants
- Reduction in the period of backdating from 6 months to 3 months

10. In addition a £10,000 hardship fund was set up in 2013/14 to support residents in severe financial difficulty and this was then increased to £15,000.

11. To achieve the agreed principles of cost neutrality for major preceptors and parishes a discretionary grant was allocated to cover the financial implications of the reduced tax base.

12. It is a requirement of the scheme that an annual consultation regarding the scheme is carried out with residents; this was conducted in the summer of 2013. A revised scheme was proposed and approved by Cabinet in October 2014 and endorsed by Full Council.

13. The new scheme consisted of an increase in the minimum contribution from non-working age people claiming support from 8.5% to 12.5%. Further changes were introduced to increase the tax base and reduce the financial pressures incurred by the loss of government funding. The changes included an increased charge on empty homes and second homes. The 2014/15 scheme changed a number of the original criteria as detailed below;

- Withdrawal of the 10% discount on second homes
- Reduce the Empty Homes class A (major repairs) discount from 100% for up to 12 months to 50%
- Reduce the Empty Homes class C (vacant dwellings) discount from 100% for up to 6 months to 50%
- Introduction of an Empty Homes premium of 50% for dwellings unfurnished and empty for more than 2 years

14. Discretionary funding support for major preceptors and parishes continued at the same level.

15. The LCTS scheme and the councils discretionary grants have remained unchanged for both 2015/16 and 2016/17.

16. The council has seen a year on year reduction on the number of claimants since the introduction of the LCTS scheme in 2013/14;

Year	No of properties claiming	% Reduction
2013/14	2,549	
2014/15	2,398	5.9%
2015/16	2,230	6.9%
2016/17	2,013	9.75%

17. The Uttlesford scheme can be compared to other LA schemes as shown in the table 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

Financial overview of the LCTS Scheme

18. As part of the delegation of the scheme, central government gave district councils funding of the equivalent sum they had paid out in discounts for 2012/13. A reduction of 10% of this figure was applied based on the principles of non-vulnerable working age claimants being assessed on a lesser amount of council tax liability (e.g. 91.5%). This sum of £3,583,000 was included in the Revenue Support Grant (RSG) and was shown separately in the 2013/14 breakdown of allocated funding. In future years this sum was not shown separately and the RSG funding has reduced significantly, currently for 2016/17 we are only receiving a total of £684,000, 2017/18 will be the final year the council receives any RSG and this will be £251,000.

19. The impact of the LCTS scheme is accounted for within the collection fund using the same criteria as for council tax. In 2013/14 the council allocated a discretionary grant to fund the expected decrease in the tax base for major preceptors at £212,000 and for parishes at £194,000.

20. 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 and 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.
21. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
22. 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.
23. As the scheme has developed the impact on the major preceptors has been absorbed within the collection fund and the council has not been required to fund this grant.
24. The council has paid the discretionary grant to the parishes annually since 2013/14; this has been a reducing figure in line with the reduction of claimants, the grant for 2016/17 is £171,000.

25. The forecast financial impact of the LCTS scheme for the council in 2016/17 is £283,000 as detailed in the table below;

All figures £' 000	TOTAL forecast 2016/17	County, Police and Fire share forecast 2016/17	UDC share forecast 2016/17
LCTS discounts	3,205	2,754	451
Government LCTS funding	-684	-588	-96
Subtotal – LCTS scheme	2,521	2,166	355
Additional income generated by changes to internal policy	-400	-343	-57
Major preceptors income sharing agreement – 16% passed back to district council	0	155	-155
Subtotal – net effect of the LCTS & discounts changes	2,121	1,978	143
UDC discretionary funding of town/parish councils	171	0	171
Major preceptor funding of LCTS administration & recovery costs	0	34	-34
LCTS hardship scheme	15	7	8
ECC funding of hardship administration	0	5	-5
TOTAL NET COST	2,307	2,024	283

26. The council will be required to consult on the scheme and any proposals to amend the current scheme in the summer of 2016, the possible proposals are;

1. No change
2. Increase the discount on empty homes – would increase the cost of the scheme
3. Increase the contribution rate. For every 2.5% increase there is a reduction in cost to the council of £15,000
4. Reduce the discretionary grant given to Parish Councils

27. The timetable for the consultation and approval of proposals for the Scheme for 2017/18 is shown below;

- Draft scheme to Scrutiny - 5th July
- Draft scheme to Cabinet - 14th July
- Consultation period - 1st August – 30th September
- Consultation responses and final scheme proposals to Cabinet - 30th November
- Final scheme presented for approval by Full Council – 8th December