Committee:	Cabinet	**Date:**	
Title:	Local Council Tax Support Scheme Proposals 2020/21	Monday, 15 July 2019	
Portfolio Holder:	Cllr Neil Hargreaves, Portfolio Holder for Finance and Budget		
Report Author:	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk	**Key decision:**	Yes

Summary

1. Local Council Tax Support was introduced on 1 April 2013 and local authorities in England have been responsible for running their own local schemes. The scheme provides a discounted council tax bill to people who are either unemployed or are on low incomes that can't afford to pay. Working age claimants who are not in a protected group are required to pay a contribution towards their council tax and the % payable is set at a local level.

2. 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.

3. 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.

4. In 2013/14 when the original scheme was introduced the contribution rate was set at 8.5%. This increased in 2014/15 to 12.5% and it has remained at this rate for each subsequent year.

Recommendations

5. The Cabinet is recommended to approve the following draft proposals to inform the Local Council Tax Scheme consultation for 2020/21:

    I. The 2020/21 LCTS scheme is set on the same basis as the 2019/20 scheme and therefore the contribution rate is frozen for the fifth consecutive year.

    II. The Council continues to protect Vulnerable and Disabled Residents and Carer's on a low income.

Financial Implications

6. Detailed in the main body of this report.

Background Papers

7. None

Impact

Communication/Consultation	Proposals 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)

8. 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

Contribution Rates across Essex

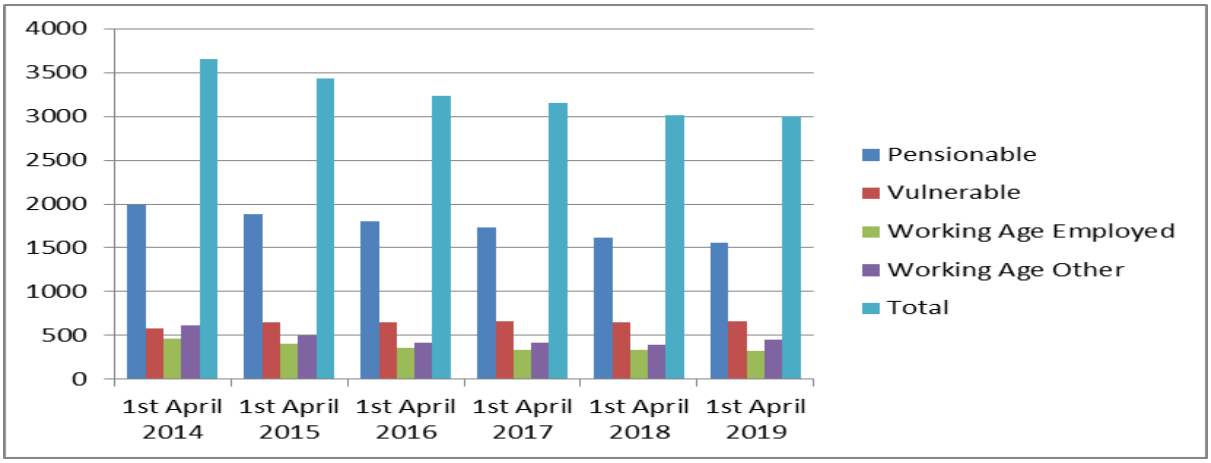
9. The council has the lowest percentage contribution rate within Essex with the highest being set at the maximum permitted level of 30%.

	Contribution Rate (%)						
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Basildon	15	25	25	25	25	25	25
Braintree	20	20	20	20	24	24	24
Brentwood	20	20	20	20	20	20	20
Castle Point	30	30	30	30	30	30	30
Chelmsford	20	23	23	23	23	23	23
Colchester	20	20	20	20	20	20	20
Epping Forest	20	20	20	25	25	25	25
Harlow	24	24	24	26	24	24	24
Maldon	20	20	20	20	20	20	20
Rochford	20	20	20	20	28	28	28
Southend-on-Sea	25	25	25	25	25	25	25
Tendring	15	15	20	20	20	20	20
Thurrock	25	25	25	25	25	25	25
Uttlesford	8.5	12.5	12.5	12.5	12.5	12.5	12.5

Caseload

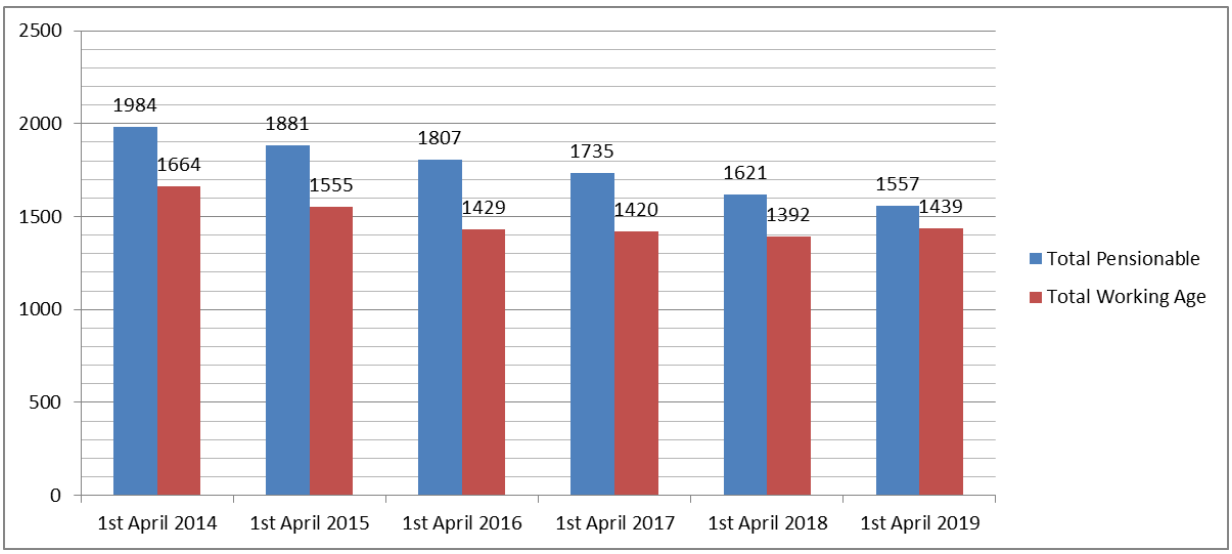
10. The following table and graph details the caseload as at 1st April for each of the previous 6 years.

	1st April 2014	1st April 2015	In year movement	1st April 2016	In year movement	1st April 2017	In year movement	1st April 2018	In year movement	1st April 2019	In year movement
Pensionable	1,984	1,881	(103)	1,807	(74)	1,735	(72)	1,621	(114)	1,557	(64)
Vulnerable/Disabled	582	651	69	653	2	667	14	651	(16)	664	13
Working Age - Employed	470	406	(64)	359	(47)	334	(25)	341	7	323	(18)
Working Age - unemployed	612	498	(114)	417	(81)	419	2	400	(19)	452	52
Total Claimants	**3,648**	**3,436**	**(212)**	**3,236**	**(200)**	**3,155**	**(81)**	**3,013**	**(142)**	**2,996**	**(17)**



11. For the first time since April 2013, working age caseload figures have increased. This can be attributed to the national roll out of Universal Credit and increases in state retirement ages. As a result, any future change to the LCTS scheme is likely to directly impact on an increasing number of people.

	1st April 2014	1st April 2015	In year movement	1st April 2016	In year movement	1st April 2017	In year movement	1st April 2018	In year movement	1st April 2019	In year movement
Total Pensionable	1,984	1,881	(103)	1,807	(74)	1,735	(72)	1,621	(114)	1,557	(64)
Total Working Age	1,664	1,555	(109)	1,429	(126)	1,420	(9)	1,392	(28)	1,439	47



12. The Band D equivalent used in this report for the calculation of the increase in contribution rate and the full cost of the scheme is estimated based on the 2019/20 Band D equivalent multiplied by 4.72%.

Increasing the Contribution Rate

13. For each increase of 2.5% in the contribution rate it would generate a potential additional council tax income of £32,261 across all the preceptors of which the council would retain £4,517.

14. The impact of each 2.5% increase on a Working Age claimant who receives the maximum amount of LCTS would be an additional £41.63 per year to pay, equating to £0.80p per week.

15. The financial gain and the claimant impact are detailed in the table below, the costings are based on all working age claimants paying a 12.5% contribution, as it is impossible to identify and calculate precise figures as the contribution level varies dependant on the claimant's financial circumstances.

Percentage Contribution	Average liability income due	90% Collection Rate	Increase @ 2.5% increments	Additional Cost to claimant per year	Additional Cost to claimant per week
12.50%	£179,230.22	£161,307			
15%	£215,076.26	£193,569	£32,261	£41.63	£0.80
17.50%	£250,922.31	£225,830	£64,523	£83.26	£1.60
20%	£286,768.35	£258,092	£96,784	£124.88	£2.40

Income Sharing Agreement

16. An Essex wide income sharing agreement was entered into with all billing authorities and major preceptors at the time of implementation of the new LCTS scheme.
17. The main principles of the agreement are to ensure a joint approach in maximising income collection, reduce fraud and ensure compliance.
18. By 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.
19. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
20. 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.
21. Two posts are being funded through this agreement to work directly on all areas of fraud and compliance within Council Tax.
22. We are currently working with Essex County and other Local Authorities on the 'Next Steps for the Sharing Agreement'. Due to the success of this agreement for all parties it is anticipated that this will continue.
23. The income generated directly from this work will also be shared as per the agreement.

LCTS Administration, hardship and recovery funding

24. 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 to provide support in managing their payments and thereby avoiding costly recovery action being taken.

25. 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).

Full cost of LCTS scheme

26. The following table shows that the forecast financial position for UDC in 2020/21 is a net cost of £380,021, based on the caseload as at 1 April 2019 and a forecast band D equivalent.

£'000	LCTS Expenditure 2020/21	County, Fire and Police Share	UDC Share 2020/21
LCTS Discounts	3,469,564	2,983,825	485,739
Major Preceptors - Sharing Agreement (14%)	0	105,687	(105,687)
Net of LCTS Scheme & Discounts	**3,469,564**	**3,089,512**	**380,052**
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	**3,469,579**	**3,089,558**	**380,021**

27. The expectation is that current caseload levels will remain fairly static, but it should be noted that these could see some further increases with the wider rollout of UC.

Consultation

28. The results of the consultation will be included in the reports presented to Cabinet and Scrutiny in the autumn.

29. The table below sets out the timetable for the setting of the 2020/21 LCTS Scheme

Cabinet	15th July 2019	Report to agree draft proposals and initiate consultation process
Consultation process – To be confirmed	July/August 2019	UDC Website / on line survey. Town/parish council and Major preceptors
Scrutiny	5th November 2019	Opportunity to review consultation outcomes and final proposals prior to consideration by Cabinet and Full Council
Cabinet	26th November 2019	Consider consultation responses and determine final proposals for 2020/21
Full Council	3rd December 2019	Approve 2020/21 LCTS scheme

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.