Committee:	**Cabinet**	**Date: 30 November 2017**
Title:	**2018/19 Local Council Tax Support Scheme and Consultation Responses**	
Portfolio Holder:	**Councillor Simon Howell, Cabinet Member for Finance & Administration**	Key decision: **Yes**

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 on the final scheme for the following financial year.

2. A consultation was carried out from the 1 to 25 September on the Cabinet's proposals for the 2018/19 LCTS scheme.

3. The Cabinet agreed their proposals for the 2018/19 LCTS Scheme at the 10 July Cabinet and these proposals along with the consultation responses will be reviewed by Scrutiny at their meeting on the 21 November.

Recommendations

1. The Cabinet is requested to recommend for approval to Full Council the proposals for the 2018/19 LCTS scheme:

    i. The 2018/19 LCTS scheme is set on the same basis as the 2017/18 scheme and therefore the contribution rate is frozen for the fourth consecutive year.

    ii. The Council continues to protect Vulnerable and Disabled Residents and Carers on a low income.

    iii. The discretionary subsidy grant for Town & Parish councils is withdrawn.

Financial Implications

2. Detailed in the main body of this report.

Background Papers

3. None.

Impact

Communication/Consultation	Proposals to be subject to public consultation and discussions with major preceptors
Community Safety	None.
Equalities	An equalities impact assessment has been completed

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)

4. 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) A discretionary subsidy grant was provided to Town and Parish Councils to neutralise the financial effects against their individual taxbase.

5. In 2017/18 it was agreed that the LCTS scheme would adopt the following principals in line with Housing Benefit legislation;

   i. Removal of the family premium for all new working age claimants
   ii. Reduction of backdating of a claim from 6 months to 1 month
   iii. 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
   iv. Period of absence from Great Britain reduced from 13 weeks to 4 weeks whilst still being able to claim benefits

Contribution Rates across Essex

6. The council has the lowest percentage liability cap within Essex.

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

Caseload

7. 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 through the life of the scheme, although there is an increase in the number of vulnerable and disabled claimants.
8. Whilst the decrease in working age claimants is positive it does mean any future changes to the scheme are directly impacting on a much smaller group of people. In addition, as the group is smaller the revenue raised from increasing the contribution rate has also decreased.

LCTS Caseload								
	2013/14 Caseload	2014/15 Caseload	2014/15 % change	2015/16 Caseload	2015/16 % change	2016/17 Caseload	2016/17 % change	Total % change all years
Pensionable Age	2,014	1,901	-6%	1,811	-5%	1,740	-4%	-14%
Vulnerable/Disabled	503	631	25%	658	4%	659	0%	31%
Working Age	1,222	972	-20%	784	-19%	785	0%	-36%
	3,739	**3,504**		**3,253**		**3,184**		

The drop in pensioner may be a consequence of the change in retirement age from 65 to 66

Increasing the Contribution Rate

9. If the contribution cap is increased from 12.5% 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.
10. For each increase of 2.5% in the contribution rate it would generate an additional council tax potential income of £27,071 across the major preceptors of which the council would retain £4,061.
11. The impact of each 2.5% increase on a Working Age claimant who receives the maximum amount of LCTS would be an additional 66p per week to pay, adding up to £34 for a full year.

12. The current collection rate being achieved is in excess of 95%, due to the potential implications of the rollout of universal credit we have adjusted this to 90% for 2018/19.
13. The risk if the contribution rate is increased we could experience a decline in the collection rate.
14. The financial gain and the claimant impact are detailed in the table below, the costings are based on all working age claimants paying the full contribution, as it is impossible to identify and calculate precise figures as the contribution level varies dependant on the claimant's circumstances.

Percentage Contribution	Average total liability income due (£)	90% Collection Rate (£)	Increase @ 2.5% increments (£)	Cost per year to claimant (£)	Cost per week per claimant (£)
12.50%	150,397	135,357			
15%	180,477	162,429	27,071	34	0.66
17.50%	210,556	189,500	54,143	69	1.33
20%	240,635	216,572	81,214	103	1.99

Funding for Town/Parish Councils

15. 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.
16. 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.
17. The funding of the discretionary subsidy grant to Parish and Town Councils has continued for subsequent years up to and including 2016/17. The grant was reduced by 50% in 2017/18 to reflect the cut in RSG funding.
18. The withdrawal of RSG in 2018/19 means the council will bear the full financial burden of the LCTS scheme including the element for Parish and Town Councils.
19. The following table shows the approach other Local Authorities (where this information is available) 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

20. The table below details the amount of grant received by Parish and Town Councils in 2017/18.

LCTS Parish Grant - 2017/18

Arkesden	29	Leaden Roding	215
Ashdon	243	Lindsell	0
Aythorpe Roding	21	Little Bardfield	100
Barnston	576	Little Canfield	306
Berden	144	Little Chesterford	18
Birchanger	500	Little Dunmow	279
Broxted	338	Little Easton	359
Chickney	0	Little Hallingbury	639
Chrishall	218	Littlebury	452
Clavering	294	Manuden	114
Debden	229	Margaret Roding	163
Elmdon and Wenden Lofts	191	Newport	1,616
Elsenham	1,444	Quendon and Rickli	514
Farnham	145	Radwinter	293
Felsted	1,690	Saffron Walden	27,803
Flitch Green	301	The Sampfords	195
Great Canfield	12	Sewards End	75
Great Chesterford	1,082	Stansted	5,979
Great Dunmow	18,298	Stebbing	749
Great Easton and Tilty	298	Strethall	0
Great Hallingbury	195	Takeley	3,615
Hadstock	167	Thaxted	3,837
Hatfield broad Oak	769	Ugley	106
Hatfield Heath	737	Wendens Ambo	145
Hempstead	146	White Roding	94
Henham	443	Wicken Bonhunt	43
High Easter	108	Widdington	213
High Roding	0	Wimbish	227
Langley	35		
Total Grant paid			**76,802**

Income Sharing Agreement

21. 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.
22. The main principles of the agreement are to ensure a joint approach in maximising income collection, reduce fraud and ensure compliance.
23. 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.
24. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
25. 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.
26. Two posts are being funded through this agreement from to work directly on all areas of fraud and compliance within Council Tax.
27. 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.
28. The income generated directly from this work will also be shared as per the agreement.
29. 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 avoid costly recovery action being taken.

30. 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).

Cost of LCTS scheme

31. 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 2018/19 the council will no longer receive RSG.

32. It is estimated that for 2018/19 with the withdrawal of the remaining 50% of the Town and Parish grant funding this will reduce the cost of the scheme by £76,802, from £261,000 to £184,000. This is illustrated in the table below.

£ '000	LCTS Expenditure	County, Fire and Police Share	UDC Share inc. Parish Grant	UDC Share exc.Parish Grant
LCTS Discounts	3,119	2,682	437	437
Major Preceptors - Sharing Agreement (16%)	0	222	(222)	(222)
Net of LCTS Scheme & Discounts	**3,119**	**2,904**	**215**	**215**
UDC Funding of Parish/Town Councils	77	0	77	0
Major Preceptor LCTS Funding (Admin & Recovery)	0	34	(34)	(34)
LCTS Hardship Scheme	15	7	8	8
ECC Funding of Hardship Scheme	0	5	(5)	(5)
Total Net Cost	**3,211**	**2,950**	**261**	**184**

Consultation responses

33. The consultation on the LCTS scheme ran from 1 to 25 September and received a total of 994 responses; the full report is attached as Appendix A.

34. The consultation methods employed were;

- Pull-out, four page survey distributed with *Uttlesford Life*. Additional paper copies were also distributed to the Council's main contact points at the Great Dunmow Library, Thaxted CIC and the CSC in Saffron Walden.
  (976 responses were received)
- Open public consultation. The survey was promoted on the Council's website from 4 to 25 September via an interactive form.
  (18 responses were received)

35. A summary of the responses received are shown in the following table;

	2018/19		2017/18	
	Yes	No	Yes	No
To maintain the contribution rate at 12.5%	70.5%	29.5%	71.6%	28.1%
To continue to protect disabled people on a low income and carers on a low income	94.7%	5.3%	93.5%	6.5%
To withdraw the discretionary subsidy grant given to Town and Parish Councils	24.0%	76.0%	63.8%	36.2%

36. Responses to maintaining the contribution rate at 12.5% and continuing to apply protection to the disabled and their carers has remained consistent with the previous year's consultation.

37. There has been a significant swing in the responses to the withdrawal of the grant funding to Town and Parish Councils.

38. In the 2017/18 consultation the majority of responses were in favour of a reduction in the Town and Parish Grant funding, but for 2018/19 the majority are against the removal of the remaining 50%.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Assumptions about costs and income levels are incorrect	2 (a high degree of variability and estimation is involved)	2 (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.