

**Committee:** Council

**Title:** Local Council Tax Support Scheme Proposals  
2022/23

**Portfolio Holder:** Portfolio Holder for Finance and Budget  
Cllr Neil Hargreaves

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## 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. A consultation has been carried out during the summer on the scheme proposals, to retain the contribution rate at 12.5% and continue to protect Vulnerable and Disabled residents and Carer's on a low income.
3. The consultation was carried out via an online form and was widely promoted on our website, social media and a press release to all local media and newspapers. The consultation was available in paper form on request. The total number of responses received was 28.
4. As can be seen from the table in paragraph 19 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.
5. 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.
6. The Exceptional Hardship Fund is available to support residents and claimants who are suffering financial hardship.
7. This report was presented to Cabinet on the 15 November and the recommendation was to submit to Council for approval.

## Recommendations

8. The Council is requested to approve the Local Council Tax Support Scheme for 2022/23 on the same basis as 2021/22:

- I. The contribution rate is frozen for the eight consecutive year at 12.5%.
- II. The Council continues to protect Vulnerable and Disabled Residents and Carer's on a low income.

### **Financial Implications**

9. Detailed in the main body of this report.

### **Background Papers**

10. 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)**

11. 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, Carer's 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

### **Essex Sharing Agreement**

- 12. 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.
- 13. The main principles of the agreement are to ensure a joint approach in maximising income collection, reduce fraud, ensure compliance, and increase the taxbase.
- 14. By working proactively on fraud this ensures that our tax base is maintained at the maximum level generating extra revenue for both the major preceptors and billing authorities.
- 15. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
- 16. The increased income generated specifically from these activities and internal decisions made by UDC each year is monitored by ECC, and the preceptors have agreed to share their element of the increased income with the Local Authorities.
- 17. The current share back of the additional income is between 12% and 14% dependant on the level of tax base increases.
- 18. The major preceptors provide funding through this agreement to employ.
  - a) an officer to ensure the efficient administration of the LCTS scheme and provide claimants with dedicated support in debt management.
  - b) two officers to work directly on all areas of fraud and compliance within Council Tax.
- 19. Essex County Council contributes £7,000 per annum towards the running of the hardship scheme which has a £17,000 annual budget (£10,000 UDC element).

### **Contribution Rates across Essex**

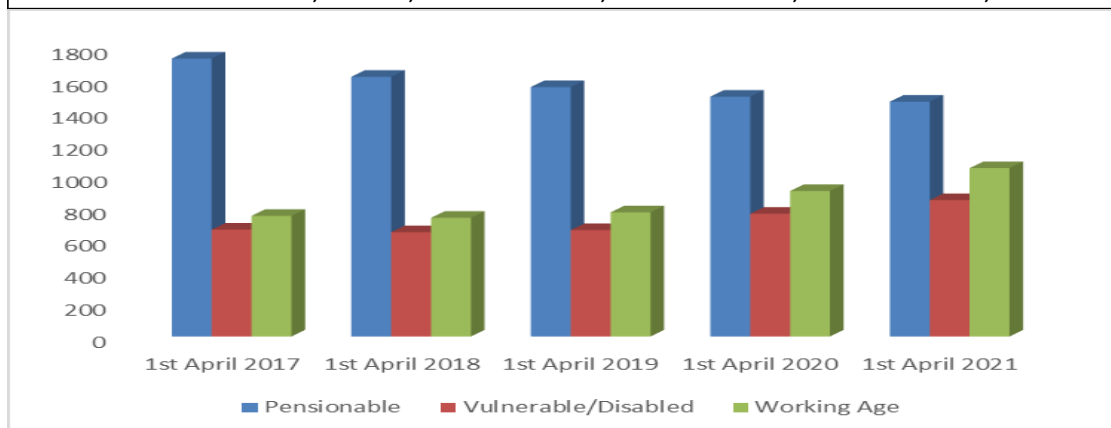
20. The council has the lowest percentage contribution rate within Essex with the highest being set at 30%. The contributions across Essex Local Authorities have remained the same since 2017.

Contribution Rate 2021/22			
	%		%
Basildon	25	Harlow	24
Braintree	24	Maldon	20
Brentwood	25	Rochford	28
Castle Point	30	Southend-on-Sea	25
Chelmsford	23	Tendring	20
Colchester	20	Thurrock	25
Epping Forest	25	Uttlesford	12.5

## Caseload

21. The current caseload shows an increase in the working age recipients. Since April 2020, increases can be directly attributed to the Covid-19 pandemic.
22. The following table and graphs provide an analysis of each category of claimant and how the caseloads have changed over the past 5 years.

	1st April 2017	1st April 2018	In year movement	1st April 2019	In year movement	1st April 2020	In year movement	1st April 2021	In year movement
Pensionable	1,735	1,621	-114	1,557	-64	1,497	-60	1,466	-31
Vulnerable/Disabled	667	651	-16	664	13	766	102	851	85
Working Age - Employed	334	341	7	323	-18	331	8	337	6
Working Age - unemployed	419	400	-19	452	52	577	125	714	137
<b>Total Claimants</b>	<b>3,155</b>	<b>3,013</b>	<b>-142</b>	<b>2,996</b>	<b>-17</b>	<b>3,171</b>	<b>175</b>	<b>3,368</b>	<b>197</b>



## Increases to the Contribution Rate

23. 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 2021/22 Band D equivalent multiplied by the average increase over the previous two years (3%).
24. The table below sets out the financial impact of an increase to the contribution rate to both preceptors and claimants and is shown in 2.5% increments. Each 2.5% increase will generate additional income of £38,710, of which the council will receive £5,420.

25. It is impossible to identify and calculate precise figures as the contribution level varies dependant on the claimant's financial circumstances. The financial gain and the claimant cost impact are based on all working age claimants paying a 12.5% contribution.

Percentage Contribution	Average liability income due	87% Collection Rate	Increase @ 2.5% increments	Additional Cost to claimant	
				per year	per week
12.50%	£255,033.24	£221,879			
15%	£306,039.89	£266,255	£44,376	£42.22	£0.81
17.50%	£357,046.54	£310,630	£88,752	£84.44	£1.62
20%	£408,053.19	£355,006	£133,127	£126.67	£2.44

### Reducing the Contribution Rate

26. This report acknowledges the Chair of Scrutiny's request to reduce the contribution rate to support those on the lowest incomes and I would like to refer members to the Exceptional Hardship Fund which was set up alongside the LCTS scheme to support residents in severe financial hardship and unable to pay their council tax.
27. A reduction of 2.5% to the contribution rate will reduce income by £38,710 and will reduce the taxbase for all preceptors including Town and Parish Councils. Reducing the taxbase has the following impacts.
- Any reduction would be subject to a consultation process, there would not be sufficient time to carry out a further consultation and meet the legislative requirement of an approved scheme in place by January 2022.
  - To reduce the contribution is not in the spirit of the sharing agreement (please see details above), where we have committed to an Essex wide agreement which includes the commitment to maximise our taxbase. We currently have the lowest contribution rate in Essex.
  - The share back from the Essex Sharing agreement will be reduced, currently predicting to generate additional income of approx. £45,000 dependant on the year end collection rate.
  - Town and Parish Councils will have to increase their precepts to offset the reduction in taxbase to meet their budget requirements.

### Exceptional Hardship Fund (EHF)

28. The Council holds a ring-fenced budget specifically to support residents and claimants suffering from financial hardship due to unforeseen circumstances. The EHF is supported by the major preceptors as part of the Essex Sharing Agreement.
29. The annual budget held for this fund is £17,000, with UDC contributing £10,000 and ECC contributing £7,000. In 2020/21 the Council received £325,304 hardship funding from Government to provide additional support to those on the lowest income during the Covid Pandemic. There was £19,870 of this funding unspent at the end of the 2020/21 financial year, and this has been added to the current budget for 2021/22 providing a total allocation of £36,870.

30. The EHF is subject to award criteria and supports all residents who find themselves in financial difficulties, you do not have to be in receipt of LCTS to qualify, making this scheme fully inclusive to all residents. Full details can be found using the following link: <https://www.uttlesford.gov.uk/ehf>
31. It is recommended that the EHF fund is used to provide additional financial support to residents rather than reducing the contribution rate.

### Full cost of LCTS scheme (estimated)

32. The following table shows that the forecast financial position for UDC in 2022/23 is an estimated net cost of £460,994. The costing has been based on caseload as of 1 April 2021, the 2021/22 band D equivalent and the 12% share back on current predicted collection rates.

£'000	LCTS Expenditure	County, Fire and Police Share	UDC Share
LCTS Discounts	3,614,450	3,108,427	506,023
Major Preceptors - Sharing Agreement (12%)	0	0	(45,000)
<b>Net of LCTS Scheme &amp; Discounts</b>	<b>3,614,450</b>	<b>3,108,427</b>	<b>461,023</b>
Major Preceptor LCTS Funding (Admin & Recovery)	0	34	(34)
LCTS Hardship Scheme	17	7	10
ECC Funding of Hardship Scheme	0	5	(5)
<b>Total Net Cost</b>	<b>3,614,467</b>	<b>3,108,473</b>	<b>460,994</b>

33. Due to the current Covid-19 emergency and the ongoing impact of the measures put in place to control the virus it is expected that current caseload levels will increase during the current financial year. It is difficult to predict the outcomes for 2022/23 but it is hoped that the economy will recover during 2021/22 and that caseloads will start to decrease.

### Consultation

34. The consultation was carried out using an online form using an open text box format requesting views on the proposals to maintain the contribution rate at 12.5% and to continue to protect Vulnerable and Disabled Residents and Carer's on a low income. For those who do not use digital services, paper copies were available on request.
35. The full consultation report is attached as Appendix A.
36. The consultation was extensively publicised via a press release to all local media and newspapers, E-newsletters were sent to all the subscribers on our mailing lists (more than 8,900 contacts). In addition, the consultation was promoted on Facebook and Twitter in July, with reminders in August.
37. The major preceptors, (Essex County Council, Essex Police, Fire and Crime Commissioner) and Town and Parish Councils were sent an email directly inviting them to provide their views on the proposals.
38. The consultation received a total of 28 responses (27 responses last year), an analysis of the responses is set out below.

<b>Responses Received</b>	
Total number of paper forms returned	<b>0</b>
Total number of web forms / direct emails submitted	<b>28</b>
Total number of comments received	<b>28</b>
Number of responses on behalf of/from representatives of preceptors*	<b>2</b>
Number of responses providing an email contact address	<b>17</b>

39. The Survey was carried out using open text box's rather than a Yes or No option, all responses have been included in the attached report at Appendix A in full and a summary of the responses are listed below.

- 16 respondents were in favour of maintaining the scheme in line with the proposals
- 5 said that the contribution should be reduced
- 4 said we should increase the contribution
- 2 responses said the scheme criteria should be expanded to help more people in low-income work or financial difficulties
- 1 comment made no reference to the scheme proposals

## **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.
Covid-19 and effect on the economy longer term	2 - possible that unemployment levels will still be high	2 – cost of the scheme will increase	Monitor caseload and work with preceptors on managing the scheme

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.