

**Committee:** Scrutiny

**Date:**

**Title:** 2019/20 Local Council Tax Support Scheme

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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. 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%. This increased in 2014/15 to 12.5% and it has remained at this rate for each subsequent year.

## Recommendations

4. The Committee is recommended to provide feedback on the consultation to be carried out based on the following draft proposals:
  - i. The 2019/20 LCTS scheme is set on the same basis as the 2018/19 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.
  - iii. The empty homes premium is increased from 50% to 100% after 2 years of non-occupancy.

## Financial Implications

5. Detailed in the main body of this report.

## Background Papers

6. 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)**

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

### **Contribution Rates across Essex**

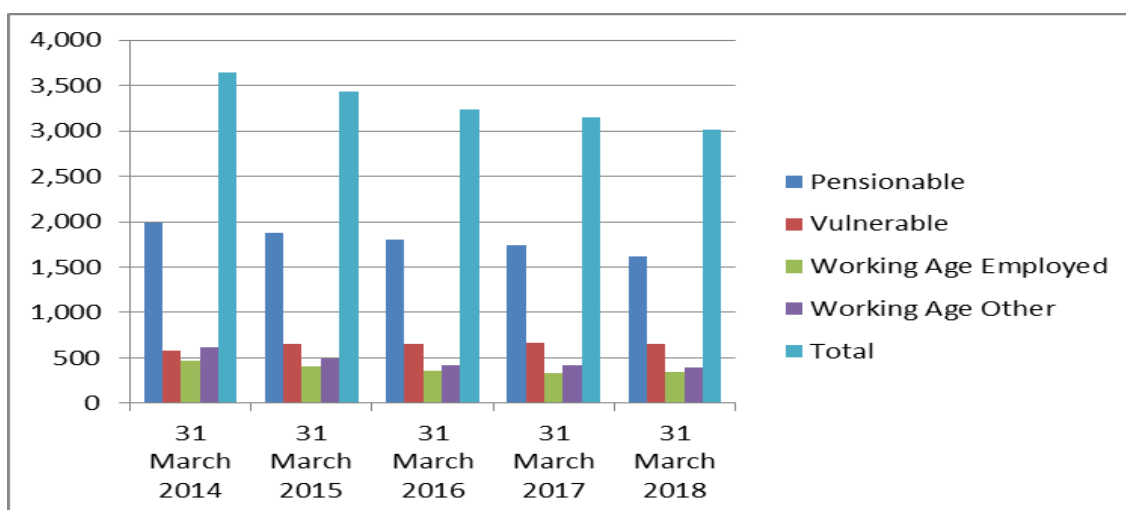
8. The council has the lowest percentage liability cap within Essex.

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

### Caseload

9. The following table and graph details the caseload as at 31 March for each of the previous 5 years and shows a year on year overall reduction in claimants. There are some variations within different claimant groups; 2018 is the first year which shows a decrease in vulnerable and disabled.

	31-Mar-14	31-Mar-15	In year mov't	31-Mar-16	In year mov't	31-Mar-17	In year mov't	31-Mar-18	In year mov't
Pensionable	1,984	1,881	-103	1,807	-74	1,735	-72	1,621	-114
Vulnerable/Disabled	582	651	69	653	2	667	14	651	-16
Working Age - employed	470	406	-64	359	-47	334	-25	341	7
Working Age - unemployed	612	498	-114	417	-81	419	2	400	-19
<b>Total Claimants</b>	<b>3,648</b>	<b>3,436</b>	<b>-212</b>	<b>3,236</b>	<b>-200</b>	<b>3,155</b>	<b>-81</b>	<b>3,013</b>	<b>-142</b>



10. 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.

### Increasing the Contribution Rate

11. 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.
12. For each increase of 2.5% in the contribution rate it would generate an additional council tax potential income of £28,268 across all the preceptors of which the council would retain £3,958.
13. The impact of each 2.5% increase on a Working Age claimant who receives the maximum amount of LCTS would be an additional 73p per week to pay, adding up to £38 for a full year.
14. 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 total	90%	Cost per year		
	liability income due (£)	Collection Rate (£)	Increase @ 2.5% increments (£)	to claimant (£)	Cost per week per claimant (£)
12.50%	157,045	141,340			
15%	188,454	169,608	28,268	38	0.73
17.50%	219,863	197,876	56,536	76	1.47
20%	251,272	226,144	84,804	114	2.20

### Income Sharing Agreement

15. 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.
16. The main principles of the agreement are to ensure a joint approach in maximising income collection, reduce fraud and ensure compliance.
17. 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.
18. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
19. 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.
20. Two posts are being funded through this agreement to work directly on all areas of fraud and compliance within Council Tax.

21. 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.
22. The income generated directly from this work will also be shared as per the agreement.

### 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 to provide support in managing their payments and thereby avoiding 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).

### Full cost of LCTS scheme

25. The following table shows that the forecast financial position for UDC in 2018/19 is a net cost of £209,000, based on the caseload as at 1 April 2018.

£ '000	LCTS Expenditure 2018/19	County, Fire and Police Share	UDC Share 2018/19
LCTS Discounts	3,084	2,652	432
Major Preceptors - Sharing Agreement (16%)	0	192	(192)
<b>Net of LCTS Scheme &amp; Discounts</b>	<b>3,084</b>	<b>2,844</b>	<b>240</b>
Major Preceptor LCTS Funding (Admin & Recovery)	0	34	(34)
LCTS Hardship Scheme	15	7	8
ECC Funding of Hardship Scheme	0	5	(5)
<b>Total Net Cost</b>	<b>3,099</b>	<b>2,890</b>	<b>209</b>

26. It would be expected that caseload would continue to reduce in line with previous years; the average annual reduction in claimants is approximately 150 (4%). This equates to an overall reduction in total expenditure of £32,000 and £5,000 saving to the Council.

£ '000	LCTS Expenditure 2019/20	County, Fire and Police Share	UDC Share 2019/20
LCTS Discounts	3,052	2,625	427
Major Preceptors - Sharing Agreement (16%)	0	192	(192)
<b>Net of LCTS Scheme &amp; Discounts</b>	<b>3,052</b>	<b>2,817</b>	<b>235</b>
Major Preceptor LCTS Funding (Admin & Recovery)	0	34	(34)
LCTS Hardship Scheme	15	7	8
ECC Funding of Hardship Scheme	0	5	(5)
<b>Total Net Cost</b>	<b>3,067</b>	<b>2,863</b>	<b>204</b>

## Empty Homes Premium

27. This premium was introduced to bring empty homes back into use and help address the housing shortfall. The move is one of a range of measures introduced by the government to fix the country's broken housing market, and councils will be able to use funds from the premium to keep Council Tax levels down for working families.
28. From 1 April 2013, central government gave powers to billing authorities allowing them to charge a premium on a class of property that has been unoccupied and unfurnished for 2 years or more. The premium can be up to 50% of the Council Tax on the property.
29. The above powers are currently going through legislative process to allow councils to increase the premium to 100% of the council tax on a property that has been unoccupied and unfurnished for 2 years or more.
30. Through the New Homes Bonus Scheme the Council can earn the same financial reward for bringing an empty home back into use as for building a new one.
31. The exceptions to the premium are listed below;
  - a) If the owner is living in Armed Forces accommodation or job related accommodation
  - b) dwellings which form annexes in a property which are being used as part of the main residence or dwelling in that
32. There are currently 70 properties in the district that are attracting a premium. We have a dedicated member of staff in the Environmental Health Team who works directly with owners to assist them in bringing the properties back into use.

## Consultation

33. It is intended that the consultation would be conducted in (July/August tbc). The consultation would include:
  - a) Citizens Panel e-survey
  - b) UDC Website / online survey
  - c) All Preceptors
34. The results of the consultation will be included in the reports presented to Cabinet and Scrutiny in the autumn.

## Timetable

35. The table below sets out the timetable for the setting of the 2019/20 LCTS Scheme

Scrutiny	18 <sup>th</sup> June 2018	To provide feedback on the consultation to be carried out based on the draft proposals
Cabinet	12 <sup>th</sup> July 2018	Report to agree draft proposals and initiate consultation process
Consultation process – To be confirmed	July/August 2018	Citizens Panel e-survey UDC Website / on line survey Town/parish councils Discussions with major preceptors
Scrutiny	20 <sup>th</sup> November 2018	Opportunity to review consultation outcomes and final proposals prior to consideration by Cabinet and Full Council
Cabinet	29 <sup>th</sup> November 2018	Consider consultation responses and determine final proposals for 2019/20
Full Council	4 <sup>th</sup> December 2018	Approve 2019/20 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.