

|                          |   |                      |                  |
|--------------------------|---|----------------------|------------------|
| <b>Committee:</b>        | Cabinet   | <b>Date:</b>         | 29 November 2018 |
| <b>Title:</b>            | 2019/20 Local Council Tax Support Scheme and Consultation Responses         |                      |                  |
| <b>Portfolio Holder:</b> | Councillor Simon Howell,<br>Portfolio Holder for Finance and Administration |                      |                  |
| <b>Report Author:</b>    | Angela Knight, Assistant Director – Resources<br>aknight@uttlesford.gov.uk  | <b>Key decision:</b> | Yes              |

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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 on the final scheme for the following financial year.
2. A consultation was carried out during the summer on the Cabinet's proposals for the 2019/20 LCTS scheme and the level of premium to be applied to properties empty for more than 2 years.
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.
4. As can be seen from the table in paragraph 10 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.

## Recommendations

5. The Cabinet is requested to recommend to Full Council for approval of the 2019/20 LCTS scheme and empty homes premium as set out below:
  - 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 premium applied to properties empty for a period of more than 2 years is increased from 50% to 100%.

## Financial Implications

6. Detailed in the main body of this report.

## Background Papers

7. 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)

8. LCTS replaced Council Tax Benefit (CTB) from 1 April 2013. The Council has adopted a scheme which has the following key elements:
- Pensioners on low income protected from adverse changes (as required by Government)
  - Disabled people, carers and blind people on a low income receive discretionary protection from adverse changes
  - Working age people previously on full CTB pay no more than 12.5% of the council tax bill
  - £25 per week of earned wages income disregarded from assessment (to provide a work incentive)
  - Child Benefit and Child Maintenance disregarded from assessment (to minimise exacerbation of child poverty, or accusations of same)
  - Hardship Policy to enable additional support for cases of extreme hardship
9. In 2017/18 it was agreed that the LCTS scheme would adopt the following principals in line with Housing Benefit legislation;
- Removal of the family premium for all new working age claimants
  - 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

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

|                 | Contribution Rate (%) |                         |         |                         |
|-----------------|-----------------------|-------------------------|---------|-------------------------|
|                 | 2013/14               | 2014/15<br>&<br>2015/16 | 2016/17 | 2017/18<br>&<br>2018/19 |
| Basildon        | 15                    | 25                      | 25      | 25                      |
| Braintree       | 20                    | 20                      | 20      | 24                      |
| 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                      | 25      | 25                      |
| Harlow          | 24                    | 24                      | 26      | 24                      |
| Maldon          | 20                    | 20                      | 20      | 20                      |
| Rochford        | 20                    | 20                      | 20      | 28                      |
| 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                    |

### LCTS Claimant Caseload

11. The following table shows the caseload as at 1 April 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 since the introduction of the scheme, the caseload has been consistent since 2015 with only marginal increases.

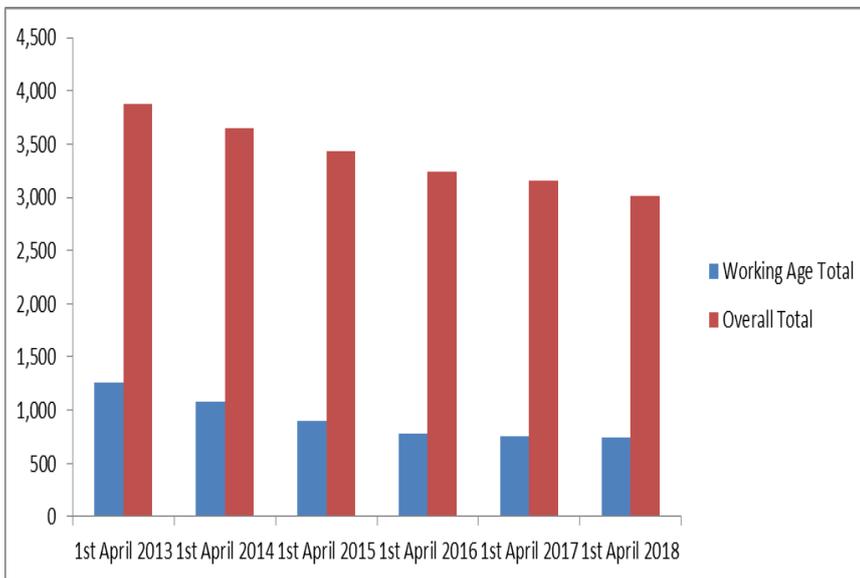
|                          | 1st April 2013 | 1st April 2014 | 1st April 2015 | 1st April 2016 | 1st April 2017 | 1st April 2018 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Pensionable              | 2,093          | 1,984          | 1,881          | 1,807          | 1,735          | 1,621          |
| Vulnerable               | 522            | 582            | 651            | 653            | 667            | 651            |
| Working Age Employed     | 508            | 470            | 406            | 359            | 334            | 341            |
| Working Age Other        | 752            | 612            | 498            | 417            | 419            | 400            |
| <b>Working Age Total</b> | <b>1,260</b>   | <b>1,082</b>   | <b>904</b>     | <b>776</b>     | <b>753</b>     | <b>741</b>     |
| <b>Overall Total</b>     | <b>3,875</b>   | <b>3,648</b>   | <b>3,436</b>   | <b>3,236</b>   | <b>3,155</b>   | <b>3,013</b>   |

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

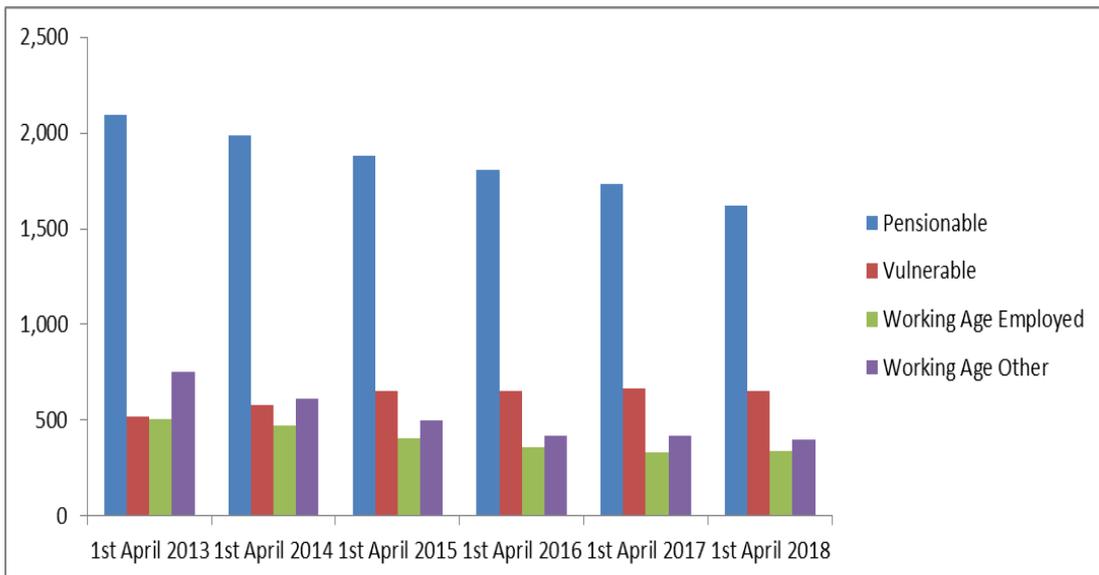
12. Whilst the decrease in working age claimants is positive it does mean any future changes to the scheme are directly impacting on a much smaller group of people. In addition, as the group is smaller the revenue raised from increasing the contribution rate has also decreased.

13. The charts below give a breakdown of caseload by total claimants and then by category of claimants.

### Total Caseload



### LCTS Claimants by category



### Increasing the Contribution Rate

14. 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.
15. For each increase of 2.5% in the contribution rate it would generate additional council tax income of £31,409 across all the major preceptors. The council tax distribution between the precepting authorities is shown in the following table.

| <b>Precepting Authority</b>                       | <b>Council Tax share</b> |               |
|---|--------------------------|---------------|
|   |                          | <b>£</b>      |
| Essex County Council                              | 72%                      | 22,614        |
| <b><i>Police, Fire and Crime Commissioner</i></b> |                          |               |
| Policing and Community Safety                     | 10%                      | 3,141         |
| Fire and Rescue Authority                         | 4%                       | 1,256         |
| Town and Parish Councils                          | 5%                       | 1,570         |
| Uttlesford District Council                       | 9%                       | 2,827         |
|   | <b>100%</b>              | <b>31,409</b> |

16. The impact of each 2.5% increase on a Working Age claimant who receives the maximum LCTS award would be an additional 81p per week to pay, equating to £42.39 for a full year.
17. 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 and uses the average band D equivalent for calculation. It is impossible to identify and calculate precise figures as the contribution level and council tax band varies dependant on the claimant's circumstances.

| <b>Contribution Rate</b> | <b>Average total liability income due</b> | <b>Increase @ 2.5% increments</b> | <b>Cost per year to claimant</b> | <b>Cost per week to claimant</b> |
|--------------------------|---|-----------------------------------|----------------------------------|----------------------------------|
| <b>%</b>                 | <b>£</b>                                  | <b>£</b>                          | <b>£</b>                         | <b>£</b>                         |
| 12.50                    | 157,045                                   | 0                                 | 211.94                           | 4.08                             |
| 15.00                    | 188,454                                   | 31,409                            | 254.32                           | 4.89                             |
| 17.50                    | 219,863                                   | 62,818                            | 296.71                           | 5.71                             |
| 20.00                    | 251,272                                   | 94,227                            | 339.10                           | 6.52                             |

18. If the contribution rate is increased then we would risk a reduction in the amount of income collected.

### **Income Sharing Agreement**

19. 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.
20. The main principles of the agreement are to ensure a joint approach in maximising income collection, reduce fraud and ensure compliance.

21. By working proactively on fraud and compliance this ensures that our Taxbase is maintained at the maximum level to generate extra revenue for both the major preceptors and billing authorities.
22. Preceptors receive a share of all income generated for Council Tax and this is allocated through the Collection Fund at year end.
23. The increased income generated specifically from these activities and internal decisions by UDC each year is monitored by Essex County Council and the preceptors have agreed to share an element of their extra income with the Local Authorities.
24. We are currently working with Essex County and other Local Authorities on the 'Next Steps for the Sharing Agreement'. The original agreement was for a 3 year period, but in 2018/19 only a further one year was agreed by Essex County Council. Further discussions have taken place and we hoped to secure a further 3 year agreement for 2019/20 but this has now been offered for a 1 year only and the share back percentage reducing from 16% to 14%. The 2% saving has been ring-fenced for investment to increase taxbase income and options on how best to use these funds are yet to be agreed.
25. In addition to the share back income, two dedicated Fraud and Compliance Officers are also being funded through this agreement and the funding for these posts is protected.
26. 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.
27. 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**

28. In 2013 when the LCTS scheme was introduced the cost of providing this benefit was added to Local Authorities Revenue Support Grant (RSG), this grant has since been reducing year on year and in 2018/19 the council no longer received any RSG.
29. To account for this funding reduction government adjusted the Business Rates baselines through the tariffs and top-ups, but due to complexity of the calculation it is impossible to identify how much we actually retain in real monetary terms regarding the LCTS scheme. In total the council has seen funding reductions over the previous 4 years including the adjusted baselines of over £2.5m.

30. The table below shows the predicted financial impact of the scheme for 2019/20, using a mix of current and previous year data.

| £ '000  | LCTS<br>Expenditure<br>2018/19 | County,<br>Fire and<br>Police<br>Share | UDC<br>Share<br>2018/19 |
|---|--------------------------------|--|-------------------------|
| LCTS Discounts                                  | 3,177                          | 2,732                                  | 445                     |
| Major Preceptors - Sharing Agreement (16%)      | 0                              | 108                                    | (108)                   |
| <b>Net of LCTS Scheme &amp; Discounts</b>       | <b>3,177</b>                   | <b>2,840</b>                           | <b>337</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>3,192</b>                   | <b>2,886</b>                           | <b>306</b>              |

### Consultation responses

31. The consultation for the LCTS scheme was included in the Budget consultation. The total number of responses was nearly double that of last year with 1,713 responses received; the full report is attached as Appendix A.

32. A multi directional approach was taken using the following methods:

- Paper questionnaire in Uttlesford Life
- Online via the Council website
- Telephone Survey
- Survey included in the summer Citizens Panel questionnaire
- A dedicated survey was sent to the Key Preceptors, Town and Parish Councils with an extended deadline to allow time to present the survey at their committees

33. The LCTS element of the questionnaire asked residents whether we should continue to provide full protection to vulnerable and disabled people (pensioners on low income automatically receive full protection as part of the central government scheme legislation). It also asked if we should maintain the current contribution rate of 12.5% that non protected resident's that are out of work or on a low income are required to pay.

- 94.5% of responses agreed that we should continue to protect vulnerable and disabled as part of our local scheme
- 68.09% of responses agreed that the current contribution rate should be kept at 12.5%

34. The Council currently charges a 50% premium on Empty Homes that have been unoccupied for longer than 2 years (exceptions apply, e.g. Armed

Forces, special circumstances). This means that owners of empty properties currently pay the normal full council tax liability and after the 2 year period an additional 50% premium is applied.

35. In the summer Government announced a new scheme giving Local Authorities the discretionary power to increase the premium from 50% to 100% if a property is left empty for a period of 2 years or more. The new bill became an act of Parliament on the 1 November and is a key driver for the Governments initiative in bringing empty properties back into use and help reduce the housing shortages.

36. The will mean that residents with an empty property for more than a 2 year period will be required to pay double the council tax on the property.

- 83.59% agreed that the premium applied should be increased to 100%

37. The 4 responses received from the key preceptors, including Town and Parish Councils is shown below:

- 100% of responses agreed that we should continue to protect vulnerable and disabled as part of our local scheme
- 100% of responses disagreed that the current contribution rate should be kept at 12.5%. The survey provided the option to agree or disagree with the current contribution rate
- 1 of the 4 respondees agreed that the premium applied should be increased to 100%

## 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.