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| 11 January 2017 | | ITEM: 11 (Decision 01104400) |
| Cabinet | | |
| Local Council Tax Scheme | | |
| Wards and communities affected: All | Key Decision: Key | |
| Report of: Councillor Shane Hebb, Cabinet Member for Finance | | |
| Accountable Head of Service: Sean Clark, Director of Finance and IT | | |
| Accountable Director: Lyn Carpenter, Chief Executive | | |
| This report is Public | | |

Executive Summary

Since 1 April 2013, the Council has maintained a local Council Tax Reduction scheme. This replaced the national Council Tax Benefit scheme, which ended on 31 March 2013. Council Tax Reduction helps provide support to council taxpayers who have a low income. It supports the taxpayers by providing a reduction in the actual amount in Council Tax payable.

The current Local Council Tax Support (LCTS) scheme was implemented on 1 April 2016. Thurrock Council agreed its current scheme through a public consultation exercise informed by cross party Members working groups. The resulting scheme was agreed by both Cabinet and the Council.

The proposed design of the scheme for 2017/18 builds on the existing scheme and the proposed changes align with central government changes to the Housing Benefit and Universal Credit regulations. These changes are reflective of incentivisation to seek employment which meets personal spending requirements while also simplifying the administration of the scheme. We have considered the proposed changes in consultation with other Essex authorities. We have also considered that the proposals balance cost savings with maintaining a scheme that is reasonable and fit for purpose.

There are six proposed changes to the existing scheme which are outlined in section 3.4. The proposed changes numbered 1, 2, 3 and 5 are likely to reduce the amount of support available to individual claimants under the scheme and hence Cabinet are asked to decide whether to implement these proposed changes.

The proposed changes numbered 4 and 6 are not expected to impact on the support available to claimants, hence Cabinet are asked to approve these proposed changes.

A consultation on the proposed scheme has been completed. This was open to all residents and was promoted via Council channels including social media. It is noted the response rate has been low but the findings are included with each of the proposed changes.

The proposed scheme was considered by the Corporate Overview and Scrutiny Committee on 22 November 2016. The Committee agreed to support options 2, 4 and 6 but not options 1, 3 and 5 due to the financial impact on claimants. Cabinet are asked to note this response in their considerations.

The Committee also expressed concerns over the response rate to the consultation and requested a further report to consider the overall effectiveness of Council consultations.

It is also noted that the proposed changes 4 and 6 if approved will align to the equivalent Housing Benefit regulations at the point they are approved by Central Government. Members are advised that in the unlikely event that these changes are not effected by Central Government by 1 April 2017, that the Council's Council Tax Reduction scheme will not be amended for 2017 but will be amended from 2018.

1. Recommendations for the proposed scheme for 2017/18:

1.1 Cabinet are asked to consider if they support proposed change 1;

1.2 Cabinet are asked to consider if they support proposed change 2;

1.3 Cabinet are asked to consider if they support proposed change 3;

1.4 Cabinet are asked to consider if they support proposed change 4;

1.5 Cabinet are asked to consider if they support proposed change 5; and

1.6 Cabinet are asked to consider if they support proposed change 6.

2. Introduction and Background

2.1 The design of each LCTS scheme must be finalised by 31 January ahead of the relevant year to which it relates. Failure to provide a scheme by this date will trigger the implementation of a default Government scheme. The default scheme would require the Council to revert back to the level of support that would have been provided under the national Council Tax Benefit arrangements.

2.2 Local authorities will take on the risk that liabilities under LCTS exceed the amount projected for at the start of the relevant financial year. This risk is shared between billing and major precepting authorities with circa 15% of the

council tax collected by the Council being paid over to the Essex County Fire and Rescue Service and Essex Police.

2.3 The existing Scheme now contains the following elements:

- The first £25 per week of earned income will be disregarded when calculating levels of council tax support;
- The maximum capital limit is to be set at £6,000. This means anyone who has savings over £6,000 may not receive support with their council tax;
- For working age claimants, the maximum support that will be allowed will be 75% of their full council tax bill;
- Child benefit and child maintenance received will not be included as income in the calculation of council tax support;
- The maximum period a claim can be backdated under the scheme is 1 calendar month. A good reason for not claiming earlier has to be provided; and
- There is a full disregard of military compensation payments, including War Disablement Pensions, War Widow's Pension and Armed Forces Compensation Scheme payments.

2.4 We now have to consider the LCTS scheme for 2017/18. We recommend continuing with the existing 2016/17 scheme amended for some changes which will align the scheme with the requirements of Housing Benefit and the Universal Credit system. Members will need to decide if each proposed change should be adopted.

3. Issues, Options and Analysis of Options

3.1 From 2014/15, any specific funding for the LCTS scheme is rolled up into the main Revenue Support Grant (RSG) as provided to local authorities by the Government. It will be entirely for local authorities to decide how much they are prepared to spend on their LCTS scheme. Officers have considered the findings from the consultation undertaken recently which supported the proposed scheme for 2017/18. Officers have also reviewed the structure of the scheme and noted the cost of the scheme has reduced from £8.5m to approximately £8.0m since 1 April 2013. This has increased the Council Tax Base and reduced the cost of the scheme since inception. Given these findings officers recommend continuing the scheme based on the same principles with adjustments as recommended below.

3.2 Officers have had to consider changes to Housing Benefit Regulations and the ease of administration by having corresponding regulations for both schemes as far as possible. As the roll out of Universal Credit has slowed nationally, with the completion date of the project now extended to 2022. New

Housing Benefit legislation is now forming part of the Welfare Reform agenda, as this benefit will now continue until at least 2022. When Local Council Tax Support began in 2013 it was expected the Universal Credit would be rolled out by 2017 replacing Housing Benefit for Working Age customers.

- 3.3 Officers have maintained a close working relationship with other Essex authorities and have continued to work on the same principles that were originally agreed at the start of the LCTS schemes.
- 3.4 Some components of the LCTS scheme have been directed by Government such as:
- All low income pensioners will be protected under the national framework as defined by DCLG;
 - Consideration for protection for vulnerable working age groups will be allowed for; and
 - Each authority's scheme will maintain work incentives wherever possible. The Government continues to stress the importance of this principle given the current economic climate and their welfare reform agenda.
- 3.5 We have undertaken a public consultation on possible changes to the scheme for 2017/18, which began on 15 August 2016 and closed on 26 September 2016. The survey attracted 254 "hits" but just 37 responses were received. These results largely support how the scheme has been structured and delivered to date. But officers are aware that the number of respondents is low.
- 3.6 Officers have considered that some of the options driven by changes to Housing Benefit legislation will reduce entitlement to support for some recipients. Members will need to decide if these changes are to be adopted. These are the proposed changes that were consulted on.

Proposed Change 1- Should the scheme be amended to align with Housing Benefit, namely that the Family Premium will not be granted for all new claims and for any 'new' families?

Under this change existing recipients will continue to receive this premium as long as they continue to be entitled to LCTS. The removal of the family premium applies to new claims only by working age claimants. The family premium for new pension age claims was removed in May 2016 as part of the national scheme for pensioners administered by DCLG. If this change is implemented then new working age claimants will receive a maximum reduction in entitlement of £3.49 weekly.

| Consultation response in favour of change | | Option 1 |
|---|----|----------|
| Yes | 11 | 37% |

| | | |
|-----------------|----|-----|
| No | 9 | 30% |
| Don't know | 10 | 33% |
| Total responses | 30 | |

Proposed Change 2- Should the scheme change the temporary absence rules in line with Housing Benefit, to limit the timescale for Local Council Tax Reduction to be applied where an applicant leaves Great Britain for a period of greater than 4 weeks? Certain exceptions would be applied for armed forces personnel, mariners, continental shelf workers and for certain cases where an applicant is receiving care.

This change would mean that, if the Council is informed that a customer is traveling out of Great Britain for more than 4 weeks, entitlement to LCTS would end. When they return to the country the claimant could submit a new claim. This aligns with Housing Benefit legislation and is supported by the consultation response.

| Consultation response in favour of change | | Option 2 |
|---|----|----------|
| Yes | 21 | 75% |
| No | 3 | 11% |
| Don't know | 4 | 14% |
| Total responses | 28 | |

Proposed Change 3- Should the scheme set a minimum level of income for all Self Employed claimants (after a start-up period for newly self-employed of one year)? This could be equivalent to National Minimum (Living) Wage multiplied by 35 hours per week. This is line with the assessment of Self Employed income in the calculation of Universal Credit.

This change would apply an income equal to 35 hours work at minimum wage for all self-employed customers. This would currently mean using an income before tax of £252.00 weekly for all self-employed customers. This will be used if the income declared is less than this amount. This option is proposed to address the difficulty in verifying the declared self-employed income of claimants. It would also align our scheme with the assessment of self-employed customers receiving Universal Credit. It is possible that by using this level of income that support under the scheme would significantly reduce or end for a high number of self-employed customers.

| Consultation response in favour of change | | Option 3 |
|---|----|----------|
| Yes | 10 | 38% |
| No | 10 | 38% |
| Don't know | 6 | 24% |
| Total responses | 26 | |

Proposed Change 4- Should the scheme be amended in line with the regulations for claiming Housing Benefit and Employment and Support Allowance whereby the Work Related Activity Component will not be granted when calculating Local Council Tax Reduction for all new claims to Employment and Support Allowance on or after 1 April 2017? This amendment will not alter the amount of support awarded and is a change in line with Housing Benefit regulation amendments from April 2017.

Comment: This change will not affect the amount of the award. Customers who claim Employment and Support Allowance will lose their entitlement to the Work Related Activity Component. We will also take this component from the assessment of their needs when assessing their claim for LCTS. As both income and needs reduce by the same amount the resulting calculation will not change the amount of the award under the LCTS.

| Consultation response in favour of change | | Option 4 |
|---|----|----------|
| Yes | 17 | 71% |
| No | 1 | 4% |
| Don't know | 6 | 25% |
| Total responses | 24 | |

Proposed Change 5- Should the scheme be amended in line with Housing Benefit to restrict the number of dependants assessed in the calculation of claimants needs to a maximum of two? This change will have specific exceptions and will only affect new claims and those applicants who have a third or subsequent child on or after 1 April 2017. This change is in line with Housing Benefit regulation changes from April 2017.

This change restricts the number of child dependants to a maximum of 2 (with the exception of claimants who have multiple births such as twins or triplets that then mean they exceed 2 dependants) when assessing the needs of the claimant. Currently the needs assessment for claimants is increased by £66.90 per child, with no limit to the number of children. A customer's income is calculated and offset against the family's assessed needs. Hence the claimant will not receive increased support under the scheme if they have more than 2 children. This doesn't affect current claimants with more than 2 children and would only apply to new claims from 1 April 2017.

| Consultation response in favour of change | | Option 5 |
|---|----|----------|
| Yes | 16 | 66% |
| No | 4 | 17% |
| Don't know | 4 | 17% |
| Total responses | 24 | |

Proposed Change 6- Remove the entitlement to the Severe Disability premium where another person is paid Universal Credit carers' element to look after them. This would treat the Universal Credit carers' element the

same way as if there was an award of Carers Allowance. This amendment will not alter the amount of support awarded it is a change in line with Housing Benefit regulation amendments from April 2017.

Comment: Currently the Council award a Severe Disability Premium to customers who are currently living alone and have entitlement established by the DWP to a benefit to pay for medium to high rate care. This premium increases the needs used to assess an award of LCTS. We cannot award this premium if someone is claiming Carers Allowance to provide care for them. This change means if the claimant's carer has transferred to receiving the Carers Element of Universal Credit rather than Carers Allowance this will also mean that the Severe Disability Premium cannot be awarded. This change will mean that those customers who have previously qualified for the Severe Disability premium will continue to do so and is just aligning the system with the Universal Credit system.

| Consultation response in favour of change | | Option 6 |
|---|----|----------|
| Yes | 17 | 71% |
| No | 1 | 4% |
| Don't know | 6 | 25% |
| Total responses | 24 | |

4. Reasons for Recommendation

- 4.1 The changes proposed ensure the scheme remains affordable and easy to administer. They are not considered to impact significantly on collection rates. The collection rate for 2016/17 for council tax from those in the scheme was 96.26 percent. The design of the scheme, which builds in various protections and incentives, supports a high collection rate. In order to maintain collection rates many key elements of the scheme are unchanged in 2017/18.
- 4.2 The LCTS expenditure for 2015/16 was £7.9m. The expenditure for 2016/17 is estimated to be circa £7.9m of which circa £3.75m relates to claimants of pensionable age. The expected cost of the scheme for 2017/18 is proposed at £8.5m to allow for any potential additional cost to the scheme.
- 4.3 We have benefited in past years from an improving economy, with the movement of customers into work. The economic growth forecast has improved for the coming year but the impact of Brexit will need to be closely monitored.
- 4.4 The introduction of Universal Credit in the Authority for single unemployed people has not made any significant change to the amount of LCTS awarded to claimants.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The LCTS is subject to an annual public consultation to seek views on the design and operation of the proposed scheme.
- 5.2 Appendix 1 contains highlights the 7 questions asked as part of the LCTS consultation and the answers received.
- 5.3 Appendix 2 contains comments received as part of the consultation.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The Council is required to have a LCTS scheme and hence the proposed scheme meets this requirement. The scheme supports claimants in the community and ensures the revenue raised is collectible supporting the medium-term financial strategy.
- 6.2 The Council also has a fair debt policy and this is reflected in the collection of council tax from claimants in the scheme.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

The financial implications are set out in the body of the report. Any increases to the amounts billed to residents need to be balanced against likely collection rates. The overall amount to be provided by Government towards 2017/18 is now absorbed into the RSG. Consequently the scheme is funded within the overall grant funding but also needs to consider the fairness of individual measures and the financial needs of the Council. The MTFs is based on the current scheme. Should the proposed changes be adopted, there is an estimated increase in income due of £190k that, when discounted for uncollected amounts and contributions to both the Police and Fire & Rescue authorities, could contribute a further £100k to the Council's resources.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Law and Governance

The Council Tax Benefit system was abolished by Section 33 of the Welfare Reform Act 2012. The Local Government finance bill prescribed certain steps in the design of a local scheme, such as consultation and publication, and

enables the Secretary of State to introduce both regulations and guidance relating to local schemes. The Government has included regulations to ensure that pensioners will not lose or gain relative to the previous system.

The LCTS scheme must be ratified by full Council by the 31 January 2016 at the latest to enable the authority to implement the scheme from 1 April 2016.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
Community Development and Equalities Officer

The Council has a duty as set out in the Equality Act 2010 to consider the equality impact of its policies and decisions. The LCTS can be claimed by anyone in the Borough meeting the eligibility criteria.

It is also noted a consultation on the proposed scheme has been available for all residents to respond to and these comments have been considered within the body of this report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

N/A

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Working Papers held by Corporate Finance

9. **Appendices to the report**

- Appendix 1 - Local Council Tax Scheme Survey Results October 2016

Report Author:

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