

## LOCAL COUNCIL TAX SUPPORT SCHEME 2014/15

### 1 SUMMARY

- 1.1 This report provides details of the proposed Local Council Tax Support (LCTS) scheme for 2014/15 and is seeking Members' approval for the scheme to be implemented with effect from 1 April 2014.

### 2 INTRODUCTION

- 2.1 LCTS replaced Council Tax Benefit (CTB) with effect from 1 April 2013.
- 2.2 Pensioners are protected from the impact of a LCTS scheme. Consequently, eligible pensioners receive a discount on their Council Tax bill equivalent to the same amount as they would have received under the CTB scheme.
- 2.3 LCTS for working-age people is provided through a means-tested discount. It is calculated using similar criteria to the CTB scheme but, because pensioners are protected, the level of support we can provide working-age claimants is less than they would have received under the CTB scheme. This is necessary in order to keep our scheme cost neutral.
- 2.4 The key components and eligibility criteria for calculating LCTS for working-age claimants are:-
- People living in properties whose Council Tax band is E,F,G or H have their LCTS restricted to the maximum amount payable for a band D property
  - Regardless of their financial circumstances, everyone pays the first 20% of their Council Tax liability.
  - Child maintenance is taken into account when calculating entitlement to LCTS
  - No non-dependant deductions are made when calculating entitlement to LCTS
  - Anyone with more than £6,000 is not be entitled to LCTS
- 2.5 In addition to these components, there is no longer a Second Adult Rebate scheme for working-age claimants.
- 2.6 On 17 July 2013, the Executive agreed to protect the funding for the LCTS scheme and adopt the same component and eligibility criteria for the 2014/15 scheme as is currently in place for the 2013/14 scheme.
- 2.7 The only amendment being proposed to the existing scheme is an inflationary increase in the personal allowances used to calculate entitlement to LCTS (these allowances represent the basic living needs of a claimant and his/her

family). This will ensure the scheme is compliant with the Prescribed Requirements for all local schemes, determined by the Department for Communities and Local Government, and also aligned with the Housing Benefit scheme, determined by the Department for Work and Pensions.

- 2.8 Provision for this uprating is contained within Schedule 1 of the Section 13A policy for 2014/15. As this policy in full runs to in excess of 150 pages, rather than attaching it as an appendix to this report, a full copy has been placed in the Members Library.

### **3 FINANCIAL IMPLICATIONS**

- 3.1 The estimated level of expenditure for the LCTS scheme in 2013/14 is £4.342 million. This is £100K less than the LCTS grant of £4.442 million.
- 3.2 Based on similar payment numbers, retaining the existing parameters and eligibility criteria for the 2014/15 scheme, will ensure the continuation of a cost neutral scheme. It is therefore anticipated that there will be no significant impact to the Council or the Major Precepting Authorities (Essex County Council, Fire Authority and Police).

### **4 CONSULTATION**

- 4.1 There are no requirements to carry out a public consultation where a scheme remains unchanged. However, in order to mitigate the risk of legal challenge, a light-touch consultation exercise for the 2014/15 LCTS scheme was conducted from 19 August until 29 September 2013.
- 4.2 Details of the consultation, the replies to the consultation and the Council's response are detailed in appendix 1 to this report.
- 4.3 Consultation with the Major Precepting Authorities has been on-going throughout the year via the pan-Essex LCTS project group.

### **5 EXCEPTIONAL HARDSHIP POLICY**

- 5.1 The Exceptional Hardship Policy (EHP) formed an integral part of the 2013/14 LCTS scheme. The purpose of this policy was to provide financial support in exceptional cases where claimants were considered to be vulnerable and most at risk at not being able to pay their Council Tax.
- 5.2 The level of funding set aside for the EHP in 2013/14 was £9,989. The same amount will be available in 2014/15.

### **6 RISK IMPLICATIONS**

#### **Funding/scheme design**

- 6.1 In light of future funding cuts and the fact that funding for LCTS will no longer be shown as a separate funding stream, the proposed LCTS scheme is for

2014/15 only. Consequently, it is important to highlight to Members that our scheme will need to be reviewed on a year-by-year basis.

### **Demand for Council Tax Support**

- 6.2 There are significant financial risks in terms of a demand led service being financed by a fixed grant. Any increase in demand could result in a financial impact for both the Council and the Major Precepting Authorities.

### **Collection**

- 6.3 The impact on collection will continue to be mitigated by the work being done by the LCTS Collections Officer. This officer is solely focused on collecting Council Tax from people who are in receipt of LCTS and helping them to deal with problems arising from any difficulties in making payment.

## **7 RESOURCE IMPLICATIONS**

- 7.1 There are a number of risks that can affect the financial cost of the LCTS scheme, including demand, difficulty in collection and an increase in the Council Tax. It is therefore proposed that a contingency provision be made for these risks by including £100,000 in the 2014/15 budget, as was made in the 2013/14 budget.

## **8 LEGAL IMPLICATIONS**

- 8.1 Schedule 1A of the Local Government Finance Act 2012 requires local authorities to consider whether to revise its scheme or to replace it with another scheme.
- 8.2 The authority must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 8.3 If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a discount to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- 8.4 The proposed scheme for 2014/15 is not being revised, therefore, there is no need to consider any transitional provisions.

## **9 EQUALITY AND DIVERSITY IMPLICATIONS**

- 9.1 A full equality impact assessment on the LCTS scheme was produced when the 2013/14 scheme was created. This assessment will continue to be reviewed and updated on an annual basis to reflect any future amendments.

**10 RECOMMENDATION**

**10.1 It is proposed that Council RESOLVES**

- (1) That the LCTS scheme be approved to come into effect from 1 April 2014, as detailed in the Section 13A policy.
- (2) That the provision of £100,000 in the 2014/15 Budget be agreed to cover the financial risks associated with the LCTS scheme. This amount will include any carry forward of any money left over from the 2013/14 scheme.

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**Background Papers:-**

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.

**Appendix 1**

Details of the consultation exercise for the proposed Local Council Tax Support scheme for 2014/15

The consultation started on 19<sup>th</sup> August 2013 and closed on 29<sup>th</sup> September 2013

**Question 1**

**We asked:** Should the Council continue to help people on low incomes pay their Council Tax?

This question was answered by 36 respondents.

Response	Number of respondents	Percentage of respondents
Yes	33	92%
No	3	8%

The majority of respondents agreed that the Council should continue to help people on low incomes pay their Council Tax.

Additional comments made by respondents who answered No were:

- Not if they have ever fraudulently claimed benefits in the past
- This should be a central government controlled system, not operated by local councils
- With reduced funding to the council it can no longer be expected to give reductions to all those who previously had this benefit. It is now time to squeeze everyone's budget, not just those who pay the full Council Tax.
- There are many groups of people who struggle to pay bills and it is not fair to single out a particular group

**Question 2**

**We asked:** Should the way we calculate the level of Council Tax support remain the same as it is under the current scheme?

This question was answered by 33 respondents.

Response	Number of respondents	Percentage of respondents
Yes	28	85%
No	5	15%

The majority of respondents agreed that the Council should continue calculating the level of Council Tax Support for 2014/15 in the same way as it is currently does for the 2013/14 scheme.

Additional comments made by respondents who answered No were:

- Why should my contribution pay for others who in some cases don't wish to pay
- I have worked for most of my adult life, in some cases well below average earnings, but continued to work and find a way round the position I was in. Many now do not seem to have the same idea that you work to live first and then you live.
- Only provide support for the elderly and infirm
- Because we cannot survive on the money we get, we have to pay 20% council tax straightaway out of £112 per week. We are trying not to go on Income Support but are finding it hard to get jobs. Our daughter has now moved back in with us just so we can afford to eat
- The self-employed earnings calculation appears to overlook the need to reduce capital assets. Even HMRC give wear and tear allowances to recognise depreciation that arise in a business

### Question 3

**We asked:** Do you have any other comments to make about the proposed scheme for 2014/15?

Additional comments made were:

- Only that RDC administer and scrutinize all applications with complete checks to ensure the beneficiary is exactly as they financially claim. The last thing rate payers want is to be duped by the unscrupulous. Fully support RDC in their efforts to be fair to all
- Keeping regular contact with claimants to monitor changes of circumstances
- It is important that the support is given because at least you receive some income. If you did not help at all then more people would default, end up in court and no council tax money would be received at all
- I think everyone should contribute towards the council tax, even if it's a small amount
- Why do you want to take child maintenance into account - it is not even taken into account for tax purposes?
- It is necessary for the local council to offer as much support as necessary for low income people as every penny counts and sometimes prevents the less better off being with a home or not
- I think that everyone should be means tested. That way the ones that can afford to pay should pay council tax
- More support to people in older age.
- For me the scheme is acceptable
- It is right to help those who are working and make it harder for those who don't work
- Single mothers with lower income adults who cannot afford to leave home are penalised as they get no relief from the council tax. If the children leave home, they receive a 25% discount. This is unfair on those tax payers where young adult children cannot afford to leave home.