

**REPORT TO THE MEETING OF THE EXECUTIVE 2 DECEMBER 2015**

**PORTFOLIO: GOVERNANCE**

**REPORT FROM: ASSISTANT DIRECTOR – CUSTOMER, REVENUE  
AND BENEFIT SERVICES AND SECTION 151 OFFICER**

**SUBJECT: LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME –  
2016/17**

**1 DECISION BEING RECOMMENDED**

- 1.1 That the outcome of the public consultation on the LCTS scheme for 2016/17 be noted.
- 1.2 That the reduction in the maximum award available to working age people receiving support to 72% (Option 2) from 1 April 2016 be agreed.
- 1.3 That the Council earmarks £20,000 in reserves for a Discretionary Hardship Fund, to offer additional help and support to those suffering the greatest financial hardship as defined in the Council's Discretionary Reduction in Council Tax Liability Policy.
- 1.4 That it be recommended to Council that the setting of a minimum Income Floor for Self Employed Persons be part of the LCTS with effect from April 2016 in line with other Welfare Reforms.
- 1.5 That the remaining scheme provisions for 2016/17 continue as currently published on the Council's website, subject to an inflationary increase in the personal allowances used to calculate LCTS in line with those carried out in 2014/15 and 2015/16.

**2 REASON/S FOR RECOMMENDATION**

- 2.1 The current scheme commenced on 1st April 2013 and is designed to be self-funding (meaning that it should cost approximately the same as the funding the Council receives from government). A number of broad assumptions have been made about the projected grant and the overall cost which indicate that the scheme is no longer cost neutral.
- 2.2 To ensure spending on the scheme in 2016/17 is broadly in line with the forecasted scheme cost, it is essential that the required changes outlined in this report are implemented into the scheme from 2016/17.

**3 SALIENT INFORMATION**

- 3.1 The Government replaced the nationally set Council Tax benefit scheme with a locally determined Council Tax support scheme, with effect from 1 April 2013.

Under the new arrangements, the 100% subsidy was replaced by a direct grant based on 90% of the forecast subsidised expenditure.

- 3.2 The Council worked with the other Essex authorities and major preceptors in the design and implementation of a cost neutral Local Council Tax Support Scheme in 2014/15; to reflect the reduced funding available.
- 3.3 Individual District schemes were then designed and approved based on individual demographics and the current scheme has the following award criteria:-
- Claimants 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.
  - The maximum level of support available to claimants of working age is currently 80% of their eligible Council Tax liability.
  - Only working-age claimants with capital/savings less than £6,000 are entitled to LCTS.
  - Child maintenance is taken into account as income when entitlement to LCTS is calculated.
  - Non-dependant deductions are not made when entitlement to LCTS is calculated.
  - The Second Adult Rebate scheme for working-age claims has ceased.
- 3.4 For 2014/15 and 2015/16 it was agreed to make no significant changes to the LCTS scheme.
- 3.5 Based on the current LCTS scheme, the claimants and collection rates for previous years and for 2015/16 and 2016/17 are given below:-

<b>Financial Year</b>	<b>Number of working age claimants</b>	<b>Number of pensioner claimants</b>	<b>LCTS collection rate</b>	<b>Council Tax collection rate</b>
2013/14	1906	2860	81.1% achieved	98.2% achieved
2014/15	1879	2738	82.7% achieved	98.2% achieved
2015/16	1789 Estimate	2612 Estimate	82.7% Estimate	98.2% Estimate
2016/17	1703 Estimate	2491 Estimate	82.7% Estimate	98.2% Estimate

- 3.6 Based on the current LCTS scheme continuing, Rochford District Council's share of costs for 2013/14 and 2014/15 was £676,000 and £649,000

respectively. Funding received by Rochford District Council towards this cost was £693,000, and £600,000 respectively. This included £109,000 and £97,000 for Parish Councils which were passed on in full.

- 3.7 The assumptions used for the consultation were revised to reflect the latest intelligence on the potential scale of funding reductions, a realistic estimate of the scheme's trajectory and proposals required to mitigate the deficit. The overall cost of the scheme for each financial year is shown in the table below:-

<b>Financial Year</b>	<b>Government Grant £'000</b>	<b>LCTS Expenditure £'000</b>	<b>Funding Gap £'000</b>
2013/14	693	676	(17)
2014/15	600	649	49
2015/16	514	623 Estimate	109
2016/17	Estimate 474 - 449 Average - 462	610 Estimate	Estimate 136 - 161 Average - 148

- 3.7 Based on the current LCTS scheme continuing, the analysis undertaken indicates an average forecasted shortfall of £148,000 for the financial year 2016/17.
- 3.8 It is proposed that a tapered approach back to cost neutrality be adopted and, in view of this, the maximum level of support available to working age recipients reduced to 72% from 1 April 2016.
- 3.9 A 28% contribution to council tax liability will increase an individual's minimum Council Tax contribution by £1.79 to £6.26 per week (40%), based on the charge for a band D property in the parish of Rochford. Applying a band D principle (on the basis that collection rates remain in line with that achieved in 2014/15); this change could reduce the overall residual scheme deficit to a range of £5,000 - £30,000 and further options to address this will be considered.
- 3.10 The scheme is highly likely to experience additional expenditure pressures in 2016/17 arising from further Welfare Reform/Tax changes announced in the Government's summer 2015 budget. The combination of freezing the levels of some benefits and reducing the income threshold tax credits will result in an overall reduction in the income levels of working age residents. This in turn is likely to:-
- (a) increase the number of cases the Council will support through LCTS; and
  - (b) increase the value of LCTS awards and the overall cost of the scheme.

- 3.11 It is recommended that the Council earmarks £20,000 in reserves for a Discretionary Hardship Fund, to offer additional help and support to those suffering the greatest financial hardship as defined in the Council's Discretionary Reduction in Council Tax Liability Policy.
- 3.12 It is anticipated that the changes recommended in Option 2 of the consultation exercise will help mitigate some of the loss of income to the Council whilst providing maximum support to claimants.
- 3.13 Based on information and analysis provided, Members are asked to recommend Option 2 proposal of making a maximum award available to working age claimants receiving support to 72% from 1 April 2016.

#### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 It is important that the Council considers the options available in designing the LCTS scheme and the sources of funding. Three options were considered in relation to the minimum payment all working age claimants would be expected to make for 2016/17. The alternative two options are outlined below.
- 4.2 Option 1 - The Council could continue with the current year LCTS scheme in which support is restricted to 80% (minimum payment retained at 20%, the same rate as for 2013/14, 2014/15 and 2015/16) but this would need to be funded. To do this there would be various options including:-
- (a) Increase Council Tax in 2016/17. However, this would almost certainly (based on past funding settlements) require a referendum.
  - (b) Resource the reduction in Government funding by cuts to Council services. However, the current Medium Term Financial Strategy through to 2020/21 is modelled based on closing a budget gap of an average £590,000 per annum and further significant budget reductions are anticipated.
  - (c) Using reserves to support the scheme. However, this would be a short-term solution and would not address the on-going financial requirement. The use of reserves is an approach that the Council has established for dealing with hardship that arises from the scheme.
- 4.3 Option 3 - The minimum payment be increased to 35%.

There is a possibility that this would almost double the Council Tax payments from 20% to 35% for circa 1,700 residents with low incomes and could have an impact on the overall collection rate.

A significant number of working age people in receipt of LCTS also receive Housing Benefit. From April 2016 the current housing benefit cap levels will be reduced increasing the number of people affected, and reducing their overall income. The general consensus amongst Essex Authorities is that this coupled with an increase in the amount of council tax they are required to pay

will have a significant impact on the amount the Council collects from this category of charge payers.

The Council Tax collection rate dropping below 98.2% could have implications on achieving 'sharing agreement' with major preceptors. The current sharing agreement for 2015/16 is worth £354,000 to the Council.

## **5 ADDITIONAL PROPOSED CHANGE**

- 5.1 An additional change to the calculation of income for some self employed claimants is also proposed.
- 5.2 Under the current scheme the earned income of someone who is self employed is based entirely on their declared income and expenses. This can result in someone declaring that they have traded at a loss, year after year, and so receive a higher rate of council tax support.
- 5.3 It is proposed that, after an initial start up period, someone who is self employed be treated as earning the higher of either their declared income or the minimum wage for a 35 hour week. This would ensure that council tax support mirrors the approach taken in the calculation of Universal Credit and is not claimed in order to subsidise a business that is not viable.

## **6 Consultation**

- 6.1 The Council is required to carry out a consultation annually on its proposed LCTS scheme. This was carried out for the five weeks between 28 September 2015 to 2 November 2015 and views were sought on various options about changing the current scheme. Whilst only 35 responses were received 121 people considered the document, representing 0.14% of the population of the District.
- 6.2 A full summary of the responses to the consultation is appended.

## **7 RISK IMPLICATIONS**

- 7.1 Whilst it is not possible to fully forecast the exact impact any change will have it is important to note that approximately 1,700 people who are likely to be affected by an increase could also be affected by other welfare reforms.
- 7.2 There is, therefore, a risk that the additional council tax charge is not collected and any impact on Council Tax Base and collection rates will, in turn, have an impact on the sharing agreement with preceptors. The earmarking of a discretionary hardship fund, if endorsed, should contribute towards the mitigation of this.

## **8 RESOURCE IMPLICATIONS**

- 8.1 The Council is facing significant financial challenges over the medium term due to public sector funding reforms. The implicit reduction of LCTS funding

from the Government through reductions to the Revenue Support Grant (RSG) has led to the consideration of options whereby the cost of the local LCTS scheme does not exceed the level of funding available.

- 8.2 One of the key design principles in the original policy was to ensure that council tax payers were not disadvantaged by the transfer of risk associated from the funding of this scheme from the DWP to Local authorities.
- 8.3 The number of claimants for Council Tax Support has steadily reduced since its introduction and the future funding gap assumes this trend will continue over the life of the proposed scheme. However, the potential changes to Tax Credits announced in the summer budget as part of the Welfare Reform measures could place a real financial risk on the Council as any reductions in tax credit income would result in increased LCTS awards and could create additional pressure for the Medium Term Financial Strategy.
- 8.4 The consequences are that RSG is being scaled back each year and the funding for this scheme is, therefore, at risk of further reductions. The proposed scheme position for 2016/17 has been modelled based on a series of financial assumptions expected to materialise in reduced funding for the scheme.

## **9 LEGAL IMPLICATIONS**

- 9.1 The Council is required under a statutory duty to review its LCTS annually and consult with various groups and interested parties. The Council must decide the scheme by 31 January in the financial year preceding that for which the revision or replacement scheme is to take effect.

## **10 EQUALITY AND DIVERSITY IMPLICATIONS**


- 10.1 The Local Council Tax Support scheme reflects most of the characteristics of the former Council Tax Benefit scheme prior to April 2013, though it is simpler and, therefore, does not have an adverse effect on people that are particularly vulnerable or have protected characteristics.
- 10.2 A full Equality Impact Assessment on Local Council Tax Support was written when the scheme was created and this will continue to be reviewed and refreshed in light of scheme outcomes.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

LT Lead Officer Signature: \_\_\_\_\_



**Assistant Director – Customer, Revenue and Benefit Services**



LT Lead Officer Signature: \_\_\_\_\_

**Section 151 Officer**

---

**Background Papers:-**

None.

For further information please contact Simon Hayward, Principal Officer (Benefits), on:-

Phone: 01702 318009

Email: [simon.hayward@rochford.gov.uk](mailto:simon.hayward@rochford.gov.uk)

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

**Outcome of Public Consultation on Local Council Tax Support Scheme 2016/17**

The consultation exercise ran for 5 weeks from the 28 September 2015 to 2 November 2015. It was available on the Council's website and paper copies were also available on request.

The intention of the consultation was to seek the views of Rochford Residents regarding the council's proposed Council Tax Support Scheme for 2016/17, the consultation included how much working age people should be expected to contribute, and what options the council was considering to fund the scheme.

121 people visited the document and out of those 35 responses were received. Set out below is a summary of the responses to the questions asked including any comments that were made.

**Part A – This set out 3 options regarding the minimum payment working age people should be expected to pay along with an additional proposed change introducing a minimum income floor for self employed people.**

Option 1 - No change to the existing LCTS Scheme

Option 2 – Increasing the minimum payment to 28%

Option 3 – Increasing the minimum payment to 35%

Additional proposed change - setting a minimum Income Floor for Self Employed Persons in line with other Welfare Reforms

The responses and comments summarised below were in favour of an increase in the minimum payment to allow the scheme to remain self funding, and for the introduction of a minimum income floor for the self employed.

**Summary of responses received:**

Q1 Thinking about options 1, 2 and 3 (leaving the current scheme unchanged or reducing the maximum amount of support), do you think every working age person should have to make a minimum payment?

	Response Total	Response %
Yes	30	86%
No	5	14%

Comments made in relation to this question were:

- *Being of working age doesn't mean that you are capable of working / earning*



- *There are many women bringing up children on their own with no support from husband/partner. Every penny is precious to these people to enable them to clothe and feed their children. Government cuts mean these women will barely cope. A child does not just need a roof over their head and food, they also need Easter/Christmas treats, however small, and not feel the odd one with their peer group. Making them pay more Council Tax on top of all other Government cuts is not on. You try bringing up a family on minimum wage. Let the highest Council Band contribute more.*
- *We agree in principle that every working age person should have to make a minimum payment due to the funding cuts that have been made across local government generally.*
- *It is evident that the current scheme requiring a contribution of at least 20% is at present operating reasonably well - in part due to the efforts made by the authority last time to manage the transition for individuals affected (from council tax benefit to LCTS).*
- *The minimum amount is reasonable.*
- *There should be an appropriate charge to any working individual residing at a property in addition to the 'couple' on whom the default charge is assessed, but who benefit from the services which are funded from the CT*

Q2 If you do agree, do you agree that the minimum payment should increase to ensure that, as far as possible, the scheme remains self-funding?

	Response total	Response %
Yes	23	66%
No	9	26%
Don't know	2	6%
No answer	1	2%

Comments made in relation to this question were:

- *Assuming that people who receive support will have to pay more if council tax goes up to fund their support, then the council may as well increase their minimum payment. This way everyone else will not be affected by having to pay more council tax (it is far too high already) or feel the effects of cutbacks in the amount the council spends on other services.*
- *See above*
- *We agree that as far as possible the scheme should remain self-funded. However, we feel that there are considerable issues with increasing the minimum payment by the amounts proposed, that is, from £3.98 by 28% (Option 2) to £5.57 and from £3.98 to £6.96 by 35% (Option 3) (in the case of a single person in a band C property). Increasing the payments by such large amounts will*

*inevitably place a strain on working age households, who may be on a low income and struggling to meet existing payments.*

- *Despite this we understand that if the existing scheme were to continue there would be a substantial funding gap and as such increasing the minimum payment seems a very likely outcome. If this is the case, our preference would be for the increase to be the smallest increase necessary and for the council to ensure that any detriment is mitigated by putting in place adequate provision for those affected to help them manage the transition from the current scheme.*

Q3 Additional proposed change (the minimum income floor for the self employed).  
Do you agree in principle?

	Response total	Response %
Yes	22	63%
No	7	20%
Don't know	6	17%

Comments in relation to this question were:

- *this is arbitrary and does not take into account individual's circumstances. Those on low income will be further disadvantaged*
- *your explanation on how this change would affect payments is unclear in my opinion, therefore it would be inappropriate for me to comment in respect of this.*
- *Not au fait with self employed and would rather not comment on something I do not know.*
- *We do not agree with this proposed change because the minimum income floor makes a number of assumptions about the earnings of self-employed people. There is considerable uncertainty surrounding what a self-employed person may make in a week because of the fluctuations in work available to them. Their earnings are not necessarily regular and as such they may be forced to make considerable payments based on what they are allegedly (but not necessarily) earning.*

*We do however note that the proposed change would fall in line with the changes made to Universal Credit change as well as reducing the council's overall funding gap.*

**Part B – This part of the consultation set out the estimated financial impact each proposed change would have on the council and how this cost might be met.**

- 1. Increasing Council Tax**
- 2. Cutting other services**
- 3. Using Council reserves**

The responses and comments summarised below were in favour of Option 3 from Part A being implemented.

### Summary of responses received:

The following responses were received on how the Council should pay for the LCTS scheme?

Q1 Do you agree that the Council should continue with a scheme which is, as far as possible, self-funding?

	Response total	Response %
Yes	28	80%
No	3	9%
Don't know	3	9%
No response	1	2%

Comments made in relation this question were:

- I believe a self-funding scheme is the fairest way forward and will, to an extent, reduce the central government's spending, which impacts every UK resident. I also believe if the cost of providing such a scheme is shared by the local community (i.e proportional to the local cost of funding rather than as a proportion of UK wide spend), local residents are more likely to accept the impact and more likely to try to improve the employment options & charitable support in the local community.*
- Obviously a self-funded scheme would be ideal - however, the proposals set out below amount to a substantial increase for those affected by the changes. The proposed changes are just an increase of a few percent- the top end would be an increase of 15%. If this option were adopted, it could have the opposite effect for the council as although the scheme would be self-funded, considerable sums would likely have to be spent on enforcement action. As a local Citizens Advice we would of course be able to assist to a degree in terms of helping clients with budgeting etc but such an increase may be something that simply cannot be solved by budgeting alone, if there are insufficient earnings there is nothing that the client, advice sector or council can do about this.*

Q2 Of the proposed LCTS schemes listed below, do you think we should adopt any of the following options?

	Yes	No	Don't know
20% contribution, results in a deficit of £75 to £100k	28.57% (8)	60.71% (17)	10.71% (3)

	Yes	No	Don't know
28% contribution, results in a deficit of £35K to £65K	35.71% (10)	50% (14)	14.29% (4)
35% contribution, results in a deficit of £0 to £25K	40.62% (13)	50% (16)	9.38% (3)

Comments in relation to this question were:

- *We need to encourage a community who help to support themselves and take responsibility for their cost of living & needs, to reduce the reliance upon others. Only then will we see a more motivated community who are driven to better themselves.*
- *Wherever possible a deficit should surely always try to be avoided?*
- *We would prefer option 1 (20%) as it would maintain the status quo although obviously the deficit amount would be considerable compared to option 3 (35%). However, looking at the proposed options and the reality that alternative options for making up the shortfall may not be workable or desirable, we consider option 2 to be the preferable option provided measures are put in place to manage the transition. Option 2 has the smallest increase in contribution and goes some way to reducing the deficit (although we appreciate that it does not eradicate it completely). In any event as previously stated, if option 3 were to be adopted although the deficit may be reduced/eradicated, it is anticipated that enforcement costs would increase because many of those affected would be unable to meet the increased payments.*
- *Option3 offers a low weekly payment for the poor.*

Q3 Do you think we should adopt any of the following options to help fund the scheme?

	Yes	No	Don't know
Increase the level of Council Tax	28.12% (9)	65.62% (21)	6.25% (2)
Use the Council's reserves	37.5% (12)	50% (16)	12.5% (4)
Reduce funding available for other Council Services	36.36% (12)	45.45% (15)	18.18% (6)

Comments made in relation to this question were:

- *A small, mitigated increase to council tax for all residents should be expected and accepted - most people accept all costs increase in life, from grocery shopping to travel - local council services are not exempt from such rises in my opinion. It is prudent to have financial reserves and I feel the council should maintain them to deal with unexpected events as they occur (such as acts of God/nature like localised flooding). Cuts to other council services should be considered or perhaps a review on how those services are delivered could offer savings (I.e. Can outsourcing some of these services with appropriate SLAs/KPIs closely monitored provide savings and in turn generate additional income to the council due to local business growth).*
- *You haven't specified which other council services would be affected so I cannot make a judgement*
- *Cut back hard on grant support and Councillors' maintenance (e.g. phones, computers, tablets, etc.)and also expenses*
- *Difficult to answer question on Council reserves without knowing how much they are.*
- *We understand that when increasing local council tax by more than 2% it will trigger the need for a referendum to be conducted, which is a costly procedure. This costly procedure will need to be weighed up against those who will be most affected by the change in the scheme, as people will need to find extra money each week to pay for this increase.*

Q4 if the council were to partly fund the scheme with one of the following options, what would be your order of preference?

	A	B	C
Increase the level of Council Tax	30% (9)	10% (3)	60% (18)
Use the Council's reserves	25% (8)	53.12% (17)	21.88% (7)
Reduce funding available for other Council Services	51.52% (17)	30.3% (10)	18.18% (6)

Comments made in relation to this question were:

- *In order to gain support and trust from the community, it would be helpful to fully explain any council tax increases in advance as well as any spending cuts, and*

*be transparent on the reserves the council maintain. When people better understand changes, I find they are more open to accepting them.*

- *Preferably none of these, but it depends which council services would be affected.. I would like to see the council spend less money on promoting themselves for example.*
- *The situation could be looked at again in say 5 years when a better option might be available.*

Further comments in relation to the Council Tax Reduction scheme were:

- *I strongly believe the onus for funding the deficit of the scheme should be on those benefitting from it and those benefitting from council services in the wider community (I.e. Through council tax). Even increasing the minimum contribution to 35% represents a benefit/cost avoidance to the recipient by 65% yet they still receive 100% of the council's services - there's no other area of life where you would expect to pay just 35% of the bill and receive 100% of the goods.*
- *I feel that full council tax payers shouldn't bear the brunt of the government's decision to make cuts to the council tax benefit scheme by further increasing council tax.*
- *Thank you for the clear explanations and the opportunity to complete the survey.*
- *I could toot o all day!!!!*
- *In view of the reported loss of revenue to the Police and it's reduction in PC's and PCSO's I would support a small rise in council tax to help mitigate these losses.*
- *I would like to see a leaning towards compassion for those in need. Particularly the vulnerable or especially needy. There should be the ability to flag up a special case rather than a one size fits all decision for applicants to the fund. Our local councils need to be more caring than central government. I would also like to see every possible avenue explored for saving money in house. A paperless office could be one option and staff cuts if need be. If our local police have to suffer cut backs to front desk services then so should our local council. Prime office space in the centre of town is not necessary.*
- *The Council Tax Reduction scheme impacts on a percentage of the population of Rochford. Whereas the lack of night time lighting impacts on ALL of Rochford residents, and creates the ideal opportunity for burglaries, and hence, peoples' safety. I'm not sure why people of working age should be able to claim for this, when those of us who are pensioners but who don't fall within the means testing criteria should suffer to finance this with no choice but to put up with it. Please put your (our money) where it impacts the whole community without benefitting just one section of said community.*
- *Please note that we are responding on behalf of the Citizens Advice Rochford & Rayleigh Research and Campaigns team and would be happy to discuss any of these points further if required.*

- *It looks as though even for poor people increasing the minimum is manageable.*

**Part C – This part of the consultation contained questions about the people who had responded.**

Summary of the responses received:

Q1 Are you a Council Tax payer?

	Response total	Response %
Yes	33	97%
No	1	3%

Q2 Are you in receipt of Council Tax Support?

	Response total	Response %
Yes	2	6%
No	31	94%

Q3 What is your ethnic origin?

	Response total	Response %
Asian	0	0%
Black	0	0%
Chinese	0	0%
Mixed	0	0%
Other	30	100%

Q4 What is your gender?

	Response total	Response %
Male	14	42%
Female	16	48%
Other	3	9%

Q5 What is your age?

	Response total	Response %
16 – 24	0	0%
25 – 44	6	19%
45 – 64	15	47%
65 +	11	34%

---

Q6 What is your sexual orientation?

	Response total	Response %
Heterosexual	23	82%
Gay or lesbian	0	0%
Bisexual	0	0%
Other	5	18%

Q7 What is your religion?

	Response total	Response %
Christian	18	56%
Muslim	0	0%
Hindu	0	0%
Buddhist	0	0%
Sikh	0	0%
Jewish	0	0%
None	10	31%
Other	4	12%

End.

For further information please contact: Simon Hayward

Phone: 01702 318009

Email: [simon.hayward@rochford.gov.uk](mailto:simon.hayward@rochford.gov.uk)

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