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**REPORT TO THE MEETING OF THE EXECUTIVE 9 SEPTEMBER 2015**

**PORTFOLIO: FINANCE**

**REPORT FROM: ASSISTANT DIRECTOR - RESOURCES**

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

**1 DECISION BEING RECOMMENDED**

- 1.1 That the arrangements for a public consultation in setting the LCTS for 2016/17 are noted.
- 1.2 That the public consultation document 'Consultation on Local Council Tax Support Scheme 2016/17', attached as an Appendix, is approved.

**2 REASONS FOR RECOMMENDATION**

- 2.1 There is a need to revise the LCTS scheme because of reductions to the funding available to the Council to finance an LTCS scheme.
- 2.2 There is a legal requirement to carry out a public consultation before making changes to the current LCTS scheme.

**3 RESOURCE IMPLICATIONS**

- 3.1 The cost of conducting a public consultation can be met within the existing budget.

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 - Resources**

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**Background Papers:-**

None.

For further information please contact Joseph Raveendran (Assistant Director – Resources) on:-

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**Consultation on Local Council Tax Support Scheme 2016/17**

Local Council Tax Support (LCTS) is a means-tested discount to help people on low incomes to pay their Council Tax. It is a local scheme run by Rochford District Council that replaced Council Tax Benefit. No money is paid to the people who claim it. Instead, the Council reduces their Council Tax bill by the amount of support they are entitled to.

On 1 April 2013 Central Government ended the national Council Tax Benefit Scheme and gave responsibility for designing and administering LCTS to Local Authorities. At the same time, the Government made Local Authorities responsible for funding LCTS, but reduced the finance available by 10%. Our current Council Tax Support Scheme broadly follows the principles and rules that applied to Council Tax Benefit and has been largely unchanged since its introduction on 1 April 2013.

Under the current scheme, everybody of working age who receives LCTS must pay a minimum contribution of 20% towards their Council Tax bill. This means the maximum support working age applicants receive is 80% of their Council Tax bill. Pension-age applicants continue to receive up to 100% support. Currently, approximately 4,500 households claim LCTS, including approximately 2700 pension-age applicants and approximately 1,800 of working-age.

**Why are we carrying out consultation?**

The Council needs to revise its LCTS Scheme because of reductions to the Council's funding, which is putting pressure on local services. As reductions are likely to continue until the end of the decade, the Council needs to strike a balance between a LCTS Scheme that is affordable and fair, not only for who receive LCTS, but also for residents that depend on wider services.

The Council needs to look at all areas of spending to identify savings, as well as identifying how it can generate more income. The Council can reduce spending, increase Council Tax or, in the short-term, use financial reserves. The Council will need to consider all of these things to a greater or lesser extent, and the key will be to strike the right balance between them.

In Part A of this questionnaire three options are set out for the LCTS scheme from 1 April 2016, with examples of the effects of each of these options. Part B of the questionnaire asks for your views about how the scheme should be funded. Part C provides an opportunity for suggestions and comments as well as asking you to provide information about yourself as part of the Council's commitment to equalities monitoring.

**How may this consultation affect me?**

Everyone who is liable to pay Council Tax pays for the Council Tax Rebate Scheme through their Council Tax payments. Therefore, it is important to get the views of all Council Tax payers, regardless of whether you receive Council Tax Rebate or not.

Any changes to the scheme will directly affect working-age households receiving Council Tax Support now or in the future.

Central Government set the scheme for pension-age applicants and they will not be directly affected by any changes. For Council Tax Support, we treat you as being of pension age if you or your partner is old enough to receive Pension Credit. From April 2016, anyone born before 5th April 1953 will be considered to be of pension age.

It is important you have all the information you need to provide informed answers. The background to the consultation and information about our Council Tax Support Scheme is available on our website at: [www.rochford.gov.uk /details to be added](http://www.rochford.gov.uk/details-to-be-added)

**Part A - Proposed changes****Option 1 - No change to the existing LCTS Scheme**

Costs of the scheme are funded by Rochford District Council, Essex County Council, Essex Police and Essex Fire and Rescue Authority.

If we adopt Option 1, we will work out Council Tax Support in the same way as we do now. The amount of help will not reduce as long as the individual circumstances that relate to the application for Council Tax Support do not change. The current scheme means people of working age must pay a minimum contribution of 20% of their Council Tax bill. Shown below are the minimum contributions for 2015/16 in a typical Rochford District Parish.

Band	Annual Council Tax		Minimum annual contribution		Minimum weekly contribution	
	Single person	Couple	Single person	Couple	Single person	Couple
A	775.64	1034.18	155.13	206.84	2.98	3.98
B	904.91	1206.54	180.98	241.31	3.48	4.64
C	1034.18	1378.91	206.84	275.78	3.98	5.30
D	1163.45	1551.27	232.69	310.25	4.47	5.97
E	1422.00	1896.00	284.40	379.20	5.47	7.29
F	1680.54	2240.72	336.11	448.14	6.46	8.62
G	1939.09	2585.45	387.82	517.09	7.46	9.94
H	2326.91	3102.54	465.38	620.51	8.95	11.93

The benefits of doing this are:-

- No working age person will be required to pay a larger percentage of their Council Tax than they do now.
- There will be no need to alter the scheme.

The drawbacks are:-

- The Council will have to find the money to pay for the scheme by increasing the Council Tax, reducing the amount it can spend on other services or using its reserves.

### Option 2 – Increasing the minimum payment to 28%

If we adopt Option 2 we will increase the minimum payment every working age claimant will have to pay to 28%. Based on the charges for 2015/16, the new minimum payments in a typical Rochford District Parish are shown below:-

Band	Annual Council Tax		Minimum annual contribution		Minimum weekly contribution	
	Single person	Couple	Single person	Couple	Single person	Couple
A	775.64	1034.18	217.18	289.57	4.18	5.57
B	904.91	1206.54	253.37	337.83	4.87	6.50
C	1034.18	1378.91	289.57	386.09	5.57	7.42
D	1163.45	1551.27	325.77	434.36	6.26	8.35
E	1422.00	1896.00	398.16	530.88	7.66	10.21
F	1680.54	2240.72	470.55	627.40	9.05	12.07
G	1939.09	2585.45	542.95	723.93	10.44	13.92
H	2326.91	3102.54	651.53	868.71	12.53	16.71

The benefits of doing this are:-

- This would reduce the funding gap by approximately £40,000.
- It is a simple alteration to the scheme.
- If an increase in the minimum payment is chosen it will enable the Council to meet any shortfall without having to make any additional changes to the scheme.

The drawback of doing this are:-

- Working age residents will, in most cases, be expected to pay more towards their Council Tax liability than they do currently.

- A minimum amount has to be paid irrespective of circumstances.
- Collectability and potential additional costs in collection.

### Option 3 – Increasing the minimum payment to 35%

If we adopt Option 3 we will increase the minimum payment every working age claimant will have to pay to 35%. Based on the charges for 2015/16 the new minimum payments in a typical Rochford District Parish are shown below:-

Band	Annual Council Tax		Minimum annual contribution		Minimum weekly contribution	
	Single person	Couple	Single person	Couple	Single person	Couple
A	775.64	1034.18	271.47	361.96	5.22	6.96
B	904.91	1206.54	316.72	422.29	6.09	8.12
C	1034.18	1378.91	361.96	482.62	6.96	9.28
D	1163.45	1551.27	407.21	542.94	7.83	10.44
E	1422.00	1896.00	497.70	663.60	9.57	12.76
F	1680.54	2240.72	588.19	784.25	11.31	15.08
G	1939.09	2585.45	678.68	904.91	13.05	17.40
H	2326.91	3102.54	814.42	1,085.89	15.66	20.88

The benefits and drawbacks are the same as for Option 2, apart from the benefit of the funding gap reducing by approximately £75,000.

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

In order to align the LCTS scheme with Universal Credit, which is being rolled out nationally during 2015/16, the Council proposes to use a minimum earned income figure for those who are self-employed, which is in line with the UK minimum wage of £227.50 per week for 35 hours worked. Any income above this amount would be taken into account based on the actual amounts earned. This minimum would not apply to a designated start-up period in order to allow a period to establish a business.

The benefits of doing this are:-

- The Council Tax Reduction scheme will be brought into line with Universal Credit.
- It will incentivise working age applicants to grow and expand their business.

The drawbacks of doing this are:-

- When a working age resident is in self employment and continues to run a business where their income is below the minimum level, they will be assumed to earn at least the minimum wage (based on a 35 hour week).

### Part A questions

#### Question 1

Thinking about Options 1, 2 and 3 (leaving the current scheme unchanged or reducing the maximum amount of support), do you agree with the principle that every working age person should have to make a minimum payment? (One answer only)

Yes                  No                  Don't Know

Comments

#### Question 2

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?

Yes                  No                  Don't Know

Comments

#### Question 3

Additional proposed change (the minimum income floor for the Self-Employed). Do you agree with the principle?

Yes                  No                  Don't Know

Comments

**Part B - Paying for the scheme**

The cost of the Council Tax Benefit scheme in 2012/13 was £5.053 million. This was fully funded by the Government. Rochford District Council, Essex County Council, Essex Police and Essex Fire and Rescue Authority received funding of £4.561million from the Government in 2013/14 to help finance the Council Tax Support Scheme.

Since 2014/15, although funding for Council Tax Support has been provided in the Council's normal grant allocation, the Government did not separately identify the LCTS amount. The grant we received from the Government reduced significantly in the years up to 2015/16. If we apply similar cuts to the funding we received for 2013/14 Council Tax Rebate in 2014/15 the funding would have been £3.946million against a spend of £4.037 million, resulting in a share of the deficit of £15,000 for Rochford.

In continuing the current scheme, with an anticipated annual reduction in Government spending the Council anticipates a LCTS funding deficit of £75,000 to £100,000 for 2016/17. Given the anticipated LCTS funding deficit and the Council's own budgeting pressures, we are considering options to reduce the cost of the Council Tax Support Scheme and how we finance the scheme. Any additional funding for a Council Tax Support Scheme would need to be found from one or more of the following options: increasing Council Tax, cutting other services or using Council reserves.

**Increasing Council Tax**

Rochford District Council strives to find a fair balance between supporting people who are more frequent users of particular local services or who require more targeted support, and providing local services generally available to all Council taxpayers.

The local authorities that fund the cost of the Council Tax Support scheme could consider increasing Council Tax to protect local services, which could include raising additional income to help fund their share of the cost of the scheme.

Rochford District Council aims to keep tax rises low and may be required to conduct a local referendum if a proposed tax increase is above 2%. A referendum is expensive for the Council to run and the general population may vote against an increase.

Full Council sets the Council's budget on an annual basis and it will consider the level of Council Tax for 2016/17 in February 2016.

**Making cuts to other services**

As an alternative to making changes to the LCTS, Rochford District Council, Essex County Council, Essex Police and Essex Fire and Rescue Authority could cut



spending in other areas. If spending on Council Tax Support is to be protected, this will increase the amount that needs to be saved from other budgets that are already facing the need for significant savings as we seek to meet funding shortfalls.

### Use of financial reserves

The Council maintains a sensible level of financial reserves to reduce the impact of unexpected financial pressures that may occur. An option could be to use reserves for a limited time to fund part of the cost of Council Tax Support or to protect the scheme. However the use of reserves is not considered a viable permanent solution for protecting recurrent spending on Council Tax Support.

## Part B questions

### Question 1

1. Do you agree that the Council should continue with a scheme which is, as far as possible, self-funding? Please select one answer only.

Yes                      No                      Don't Know

Comments

2. Do you think we should adopt any of the following options? Please select one answer only.

2016/17- LCTS Schemes	Results in deficit of:	Yes	No	Don't Know
Option 1– 20% Contribution	£75K to £100k			
Option 2 – 28% Contribution	£35K to £60K			
Option 3 – 35% Contribution	£0 to £25K			

Comments

3. Do you think we should adopt any of the following options to help fund the scheme? Please select one answer for each source of funding.

	Yes	No	Don't Know
Increase the level of Council Tax			
Use the Council's reserves			
Reduce funding available for other Council services			

Comments

4. If the Council were to partly fund the scheme with one of the following options, what would be your order of preference? Please rank in order of preference (A, B or C) where A is the option you most prefer and C is the least.

	A	B	C
Increase the level of Council Tax			
Use the Council's reserves			
Reduce funding available for other Council services			

Comments

If you have any further comments to make regarding the Council Tax Reduction scheme please use the space below:-

**Part C- About You**

Post code:		
Are you a Council Tax payer?	Yes	No
Are you in receipt of CT Rebate?	Yes	No

<b>What is your ethnic origin?</b>	X
Asian	
Black	
Chinese	
Mixed	
White	
Other	
Please Specify	

<b>What is your gender?</b>	X	<b>What is your age?</b>	X
Male		16-24	
Female		25-44	
Other		45-64	
Please Specify		65+	

<b>What is your sexual orientation?</b>	X
Heterosexual	
Gay or Lesbian	
Bisexual	
Other	
Please Specify	

<b>What is your religion?</b>	X
Christian	
Muslim	
Hindu	
Buddhist	
Sikh	
Jewish	
Other	
Please Specify	
None	

### Next steps

Why do we ask these questions? The following questions will aid in informing us about what decision we should take. They will also help us monitor what different groups of people think about the proposed Council Tax Reduction Scheme. All information you provide is completely confidential and anonymous. This means that your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

Because of the timescales involved and the legal requirement that the Council adopts its scheme by 31 January 2016 at the latest if it is to take effect from 1 April 2016, the consultation will close on **dd/mm/yyyy**.

Following the decision, the results from the consultation will be available on the Council's website.

The new scheme will start on 1 April 2016. The Council will consider the impact of the scheme annually and consult again if it thinks further changes need to be made.

Thank you for completing the questionnaire. Please click on the button below to submit your responses.