

Agenda Item No: 7 **Report No:** 40/17

Report Title: Local Council Tax Reduction Scheme

Report To: Scrutiny Committee **Date:** 17th February 2017

Cabinet Member: Bill Giles

Ward(s) Affected: All

Report By: Ian Fitzpatrick, Director of Service Delivery

Contact Officer(s)-

Name(s): Ian Morris
Post Title(s): Head of Customer Service
E-mail(s): ian.morris@lewes.gov.uk
Tel No(s): Ex. 4079

Purpose of Report:

To inform the committee of the background to the implementation of the Council's Local Council Tax Reduction Scheme (LCTRS) and its subsequent maintenance.

Officers Recommendation(s):

It is recommended that the Committee:

- 1 Notes the report and agree any questions it would like to be addressed in a further report to be considered on 23 March 2017.

Reasons for Recommendations

- 1 To ensure the Council develops a LCTRS that meets the needs of the major preceptors and the needs of the residents of the district.

Background

- 2 The Council Tax Benefit scheme, which was fully funded by Central Government, was abolished from 01 April 2013 and replaced under the Local Government Finance Act 2012 (section 13A) by the localisation of Council Tax Support in England. The Act imposes a duty on billing authorities, including LDC, to develop and adopt their own scheme of support for working age claimants and to approve their LCTRS by 31 January each year.
- 3 To protect pensioner households from any reduction in financial support, the government put in place a national scheme that local authorities have

to adopt. Therefore, any changes to the scheme made by LDC can only affect working age households (approximately 50% of the number of claimants in the scheme). In 2013 there were 8,100 households receiving some level of Council Tax Benefit.

- 4 This change came with a 10% cut in funding from central government, for the Council this was c£1m, from c£8m to c£7m.

The development of the scheme

- 5 In 2013 when the LCTRS was first introduced by LDC it reflected, in the main, the old Council Tax Benefit scheme. It was developed with the other District and Borough Councils in East Sussex to ensure that there was a common scheme across the County.
- 6 In order to meet the demands of the grant reduction new discretionary powers were exercised at the same time to reduce certain Council Tax discounts, which effectively increased the council tax base. This action was taken as an alternative to radically reducing the amount of Council Tax Reduction awarded.
- 7 The LCTRS remained unchanged until 01 April 2016. As ESCC had suffered significant reductions in their grants from central government they requested an increase in the tax base to maximise their income from Council Tax. A number of ideas to achieve this were modelled and reported to the Chiefs and Leaders group. The proposals that affected the LCTRS then went out to public consultation.
- 8 On 09 December 2015 the Council adopted a revised scheme for 2016/17 that:
 - Limited a Council Tax Reduction to 80% of the claimant's council tax liability, i.e. to introduce a minimum charge to all working age households of 20% of the full Council Tax liability regardless of income
 - Assumed a minimum income for claimants who have been self-employed for more than 12 months
- 9 The former change meant that, for example, a single person on Income Support who used to receive full Council Tax Reduction, i.e. received a zero Council Tax Bill, would now be required to pay 20% of the full liability, which equates to approximately £240 per year for an average band D property (after the award of a Single Person Discount). This change was adopted by all of the other Districts and Boroughs in the County, except Hastings.
- 10 The latter change to imply a prescribed level of income for established self-employed claimants was adopted by all of the other Districts and Boroughs in the County in its strictest sense. At the Lewes District full Council meeting of 09 December 2015 an amendment was agreed which reduced the impact for self-employed:-

- Carers
 - Lone parents and
 - Mixed employment households
- 11** Subsequently at the Council meeting of 07 December 2016 the self-employed rule was further relaxed for disabled claimants and this will come into effect as part of the 2017/18 scheme.
- 12** The Council's LCTRS remains, in essence, a county-wide scheme. There are, however, a few differences between the District and Borough Councils – the main ones being Hastings have not adopted the 20% minimum payment and Lewes has less strict rules for self-employed claimants.

The scheme review process

- 13** In 2012 and 2015 (the only occasions that significant changes have been made to the LCTRS) the process for making changes to the scheme has been as follows.
- Consultation and financial steer from the major preceptors
 - Agreement of priorities between Chiefs and Leaders Group and the Finance Officers Group.
 - An Equalities Impact Assessment for each proposed change.
 - Financial Modelling of each proposed change
 - Full public consultation
 - Recommendations to Cabinet
 - Recommendations from Cabinet to full Council
 - Full Council decision

The scheme cannot be amended in-year.

Operational review of the current scheme

- 14** As changes to the scheme in 2016/17 were estimated to reduce the level of support the Council gives by c£1.0m it was expected that this would have an impact on the collection rate. However, the collection rate as at 01 February 2017 was 95.11% compared to 95.89% at 01 February the previous year. Additional staffing resource paid for by ESCC has proved invaluable in maintaining this level of collection.

The collection rate, along with the figures below, appears to indicate that the revised scheme has achieved its financial objectives.

Total net collectable debt for Council Tax 2015/16	£60.8m
Total net collectable debt for Council Tax 2016/17	£64.8m
CTR expenditure in 2015/16 (Pensioner Households) (Working Age Households)	£7.5m (£3.65m) (£3.85m)
Est CTR expenditure in 2016/17 (as at 01.02.17) (Pensioner Households) (Working Age Households)	£6.5m (£3.6m) (£2.9m)
Number of claimants affected by 20% reduction	3247
Number of self-employed claimants potentially affected	320
Number of Households receiving LCTR 2015/16 (Pensioner Households) (Working Age Households)	7387 (3729) (3658)
Number of Households receiving LCTR 2016/17 (Pensioner Households) (Working Age Households)	6764 (3517) (3247)

- 15** It is fair to say that the implementation of the Self-Employed rule has raised more concerns and objections from claimants, external organisations and other interested parties than any other change to the scheme. The rule is, however, broadly in line with the current Universal Credit rules. The obvious concern is that if this rule is causing financial difficulties for this sector for a financial liability in the region of £1,600 per annum (an average band D Council Tax liability) what impact will the same rule have when applied to the calculation of Housing Costs (the Housing Benefit equivalent within Universal Credit), for a liability for rent in the region of £11,000 to £12,000 per annum (an average 3 bedroom house in Newhaven)?

Exceptional Hardship

- 16** An Exceptional Hardship fund of £39,000 was established for 2016/17 to provide additional support to those claimants in exceptional circumstances that have been adversely affected by the 20% reduction in liability and/or the change to the way self-employed claims are assessed.
- 17** The Exceptional Hardship scheme mitigates the impact of any changes to the LCTRS that severely affects someone's ability to pay the tax due. As at the 01 February 2017 the Council had made 16 awards totalling £1,884.52 from a total of 69 applications received (out of 125 application forms sent out).

- 18 Discussions are taking place with the major preceptors to gain their agreement to continue supporting the fund in 2017/18.

Resource Implications

- 19 The current scheme means that all working age recipients of CTR have to pay a minimum amount of Council Tax. This has two major impacts:
- An increase in activity around billing and collection
 - An increase in customer contact
- 20 There has been recognition by the major precepting authorities of the increased workload that billing authorities will see. For 2016/17 they contributed the staff costs for 2 additional FTEs to manage the increased workload. Discussions are taking place around a similar contribution to costs for 2017/18.

Financial Appraisal

- 21 The 2016 changes to the scheme are estimated to result in savings to the cost of the scheme of c£1m (LDC c£100,000) in a full year.
- 22 Initial discussions have indicated that no further savings are required by ESCC from the LCTRS in 2018/19. Any proposed changes to the current scheme for 2018/19 would, therefore, need to be cost neutral.

Legal Implications

- 23 There is a statutory duty to review the scheme annually and make any decisions no later than 31 January in each financial year.

Equality Screening

- 24 Not applicable at this stage

Background Papers

- 25 None