

# COUNCIL

## Localised Council Tax Support Scheme 2017/18 14 December 2016

### Report of Chief Officer (Resources)

#### PURPOSE OF REPORT

To seek a decision from Council on its Localised Council Tax Support (LCTS) scheme for 2017/18.

**This report is public.**

#### RECOMMENDATIONS

- (1) That Council determines whether to retain its existing Localised Council Tax Support Scheme for 2017/18 (Option 1), or to amend it for minor changes to entitlement (Option 2).
- (2) That the Chief Officer (Resources) be authorised to finalise and publish the Council's approved Scheme for 2017/18 in line with (1) above and make all other necessary arrangements for its implementation in next financial year.

#### 1 BACKGROUND

- 1.1 Following the abolition of the national Council Tax Benefit (CTB) system back in April 2013, each billing authority now has a legal duty to adopt a Localised Council Tax Support (LCTS) scheme.
- 1.2 Each authority is also under a legal obligation to consider, for each year, whether to revise its scheme or to replace it with another scheme. The history of the Council's arrangements is summarised below:
  - The first local scheme was adopted in January 2013 for implementation in 2013/14. The Council chose not to reduce support levels at that time, unlike most other local authorities (268 or 82% of all 326 billing authorities chose to reduce support for that year, in some way).
  - In reviewing its scheme each year since then, Council has decided to retain basic council tax support levels, meaning that working age claimants on low incomes may still be awarded support to cover up to 100% of their council tax bills.

- The Council has applied some comparatively minor changes however, on the basis that entitlement criteria for LCTS should remain in line with other key benefits, most notably Housing Benefit (HB) and Universal Credit (UC).
- 1.3 If any council does wish to alter its scheme, it must approve any changes by 31 January. There is currently no provision for changing a scheme in-year.
- 1.4 As part of the last budget, Council approved that “public consultation on the LCTS scheme options for 2017/18 onwards will be undertaken during summer 2016, to meet legal requirements, ahead of a report being considered by Council.” This report is in line with that requirement.
- 1.5 Separately, Members may be interested to know that the outcome of the three-year independent review of LCTS, led by Eric Ollerenshaw OBE, was published back in March of this year. A summary of the key recommendations is attached at **Appendix A**. It is not yet known what Government’s response to that review might be. If changes arise to the legislative framework, they could have implications for the Council’s future decisions regarding its scheme and the associated consultation arrangements. The position will be monitored.

## 2 OVERVIEW OF THE COUNCIL’S CURRENT SCHEME

- 2.1 As laid down by Government, there are three general principles that all Local Council Tax Support (LCTS) schemes must follow:
  - pensioners should be fully protected;
  - vulnerable groups should be protected as far as possible, as determined locally; and
  - local schemes should support the positive work incentives being introduced through Universal Credit for working age people.
- 2.2 The Council’s existing scheme meets these principles, giving protection for certain groups and helping to support work incentives. It provides additional protection for vulnerable people through other income disregards, premiums and allowances. It also provides for annual uplifts associated with inflation, etc.
- 2.3 It is worth reiterating that under legislation, pensioners are protected from any locally driven scheme changes. This means that any Council decisions can impact only on working age claimants.
- 2.4 As Council has so far maintained general support levels, this means that if entitled, a claimant would receive 100% support to cover their council tax bill. Of the 326 schemes in operation nationally, currently the Council is one of only 67 councils that still provide that full level of council tax support for working age claimants, depending on their circumstances.
- 2.5 The Council has established an Exceptional Hardship Scheme in relation to council tax support, although given that general support levels have been maintained, demand against this continues to be minimal.

- 2.6 More information on the Council's LCTS scheme principles is set out in **Appendix B**. In particular, the Department for Work and Pensions (DWP) has now gone live with full Universal Credit in this district, and the Council's existing LCTS scheme accommodates this new legislation.
- 2.7 With those points in mind, as is usual Officers consulted with the Portfolio Holder to inform the scope of the consultation to be undertaken on scheme options for 2017/18. As a result the exercise has focused on only minor amendments, rather than on any fundamental changes. There are two options for Council to consider and these are now presented for Council's consideration.

### 3 OPTIONS AND OPTIONS ANALYSIS

#### 3.1 Option 1:

**Retain the existing Localised Council Tax Support (LCTS) scheme, making no changes.**

Key Considerations
<ul style="list-style-type: none"> <li>• Reflects a small change in policy principles. Previously Council has kept various entitlement provisions for LCTS in line with other key welfare benefits, most notably housing benefit and also Universal Credit (UC) – which is growing in significance. This option would break that link, and introduce some inequalities.</li> <li>• As such this option is expected to create more confusion for claimants, rather than less (and welfare benefits are already very complicated). This is expected to add slightly to the administrative burden in dealing with claims and queries from claimants.</li> <li>• May result in a very slight increase in costs.</li> </ul>



#### 3.2 Option 2:

**Make minor technical changes to the existing Localised Council Tax Support (LCTS) scheme, to keep various entitlement criteria the same as for other key benefits (e.g. Housing Benefit and Universal Credit).**

- The Government continues to make announcements on a number of measures affecting housing benefit and universal credit to encourage work and reduce the level of benefit available. Some of these have affected entitlement criteria for housing benefit and universal credit, as examples. Under this option, the Council's LCTS scheme criteria would be similarly updated, to keep entitlement in line, and help ensure equality.
- The specific changes for consideration by Council are identified under **Appendix C**. It is expected that any new impact on claimants, and the financial impact for the Council, would be very small. In view of this, they are presented as a package of measures.

- Some components (linked to backdating and the removal of family premium) were implemented in last year’s scheme – and based on feedback gained through the consultation there is no case for revisiting those decisions – but all those shown in Appendix C are new initiatives. It is understood that most if not all Lancashire Councils are now looking to replicate all such changes in their LCTS schemes for next year onwards.

Key Considerations
<ul style="list-style-type: none"> <li>• Retains existing policy principle of keeping various entitlement provisions for LCTS in line with other key welfare benefits; promotes equality.</li> <li>• Would help to lessen confusion for claimants – entitlement to welfare benefits is considered complex enough.</li> <li>• Following on, would also help prevent an increase in administration, in dealing with claims and claimant queries.</li> <li>• Some aspects would impact adversely on a very small number of households now and in the future. In context, however, the Council continues to offer a favourable scheme when compared nationally and it still has in place an Exceptional Hardship Scheme to provide additional support should the need arise.</li> <li>• Would result in some minimal savings.</li> </ul>

## 4 CONSULTATION

- 4.1 Legislation requires the Council to consult with its major precepting authorities and such persons that it considers likely to have an interest in the operation of its LCTS scheme.
- 4.2 The Council has consulted with its major precepting authorities (County, Fire, Police) on the basic scheme options for next year, acknowledging that they share in the financial cost attached to any LCTS scheme. A response was received from the Fire Authority, who confirmed that they “*support the principle of linking changes to those associated with Housing Benefits [Option 2].*” They go on to say that *they “would obviously be more interested in any changes which impacted on our precept”*.
- 4.3 A wider public consultation has also been undertaken, the key findings of which are set out at **Appendix D**. In very simple terms, the majority of respondents are in favour of the minor scheme changes being implemented (i.e. Option 2).

## 5 CONCLUSION

- 5.1 The Council’s existing LCTS scheme works well in terms of providing support. To date the Council has attached a high priority to maintaining the council tax support available to working age claimants (pensioners being unaffected by Council’s decisions), and so it has not sought to make any significant savings through reducing its scheme. It has previously made minor technical changes to keep LCTS entitlement

criteria in line with other welfare benefits, however.

- 5.2 Officers consider that there are positives to be gained by keeping entitlement provisions in line and as such, Option 2 is preferred. Most importantly, this option should help maintain some consistency and equality, and avoid extra confusion for claimants and administrators alike. The financial impact on claimants is expected to be very small, given that the Council continues to offer up to 100% support and in any event, it also operates an Exceptional Hardship Scheme to provide additional support should claimants' circumstances warrant it. From an Officer perspective therefore, under Option 2 the Council's LCTS scheme provisions would remain comparatively generous (in national terms) and administratively efficient.
- 5.3 In future, as a principle it would be the intention to continue to reflect new minor technical changes coming through in future years' schemes (from 2018/19 onwards), with consultation only being undertaken if Council was minded to consider more fundamental changes. It is hoped that Government's response to the 3-year review outlined at Appendix A would facilitate such an approach.
- 5.4 All that said, the 2017/18 LCTS scheme is a matter for Member decision and it is open to Council to approve either of the options presented.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

Either option fits with the Council's Corporate Plan, which includes a success measure of working in partnership to optimise access to welfare benefits and related support.

#### **CONCLUSION OF IMPACT ASSESSMENT**

(including Diversity, Human Rights, Community Safety, Sustainability etc)

An Equality and Human Rights Impact assessment has been undertaken and can be found as part of Appendix C.

#### **FINANCIAL IMPLICATIONS**

The financial aspects of LCTS impact on all tiers of local government in the district, not just the City Council - and so the County, Police and Fire Authorities (as "major precepting authorities") are also affected, as are parish and town councils (as "local councils"). The County Council has the greatest exposure.

As context, currently the LCTS system is estimated to cost £9.5M each year, but this is affected by council tax rates and claimant caseload, as well as the decisions of Council. Of this estimated cost, approximately £1.2M falls to the City Council, with remainder being covered by the other precepting authorities and councils. Indicative proportions are summarised as follows:

	<b>£'000</b>
City Council	1,230
County Council	6,850
Fire Authority	380
Police and Crime Commissioner	960
Parish/Town Councils	80
<b>Total Estimated Cost</b>	<b>9,500</b>

To help offset these costs, authorities receive some funding through the general Finance Settlement, but this can be interpreted/presented in different ways. Parish and town councils do not receive any additional funding, however. In recent years Government has urged local authorities to 'pass on' funding to parishes, but there is no statutory obligation to do so and in light of authorities' wider financial challenges and constraints, not all do (likewise the City Council doesn't).

Should Council approve Option 1, there would be no real impact on the budget, as it is already assumed that the existing scheme will continue to apply in next year and beyond. There may be some minimal costs arising, but in budgetary terms they would be negligible.

Should Council approve Option 2, there would be some minimal savings to the Council and major preceptors (County, Fire, Police), with an estimated nominal value of around £13K in total, with the City Council's share being less than £2K. Any impact on parishes would be negligible.

Whilst Option 1 is likely to create a slightly higher administrative burden, this cannot be readily quantified.

The limited consultation exercise has cost in the region of £3K. Council will note from the comments in Appendix A that there is a lack of clarity regarding the circumstances in which the statutory requirement to consult applies. Given that no consultation exercise was undertaken last year and more technical changes are proposed for next year, it was considered appropriate to undertake a limited consultation. This is in view of Council's earlier budget decisions, and the inherent risk of legal challenge, borne from other councils' experiences. Hopefully, greater legal clarity will be gained for forthcoming years.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has contributed to the production of this report, which is in her name (as Chief Officer (Resources)).

#### **LEGAL IMPLICATIONS**

As set out in the report. Legal Services have no further comments.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

2016/17 LCTS Scheme.

Three Years on; An Independent review of Local Council Tax Support Schemes (March 2016).

Feedback on 2016/17 Scheme changes.

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