

**SUBJECT: LOCALISED COUNCIL TAX SUPPORT – 2018/19**

**DIRECTORATE: CHIEF EXECUTIVE**

**LEAD OFFICER: CLAIRE MOSES, REVENUES AND BENEFITS MANAGER  
(SHARED SERVICE)**

## **1. Purpose of Report**

- 1.1 To provide an opportunity for Policy Scrutiny Committee to discuss and comment, as part of the formal consultation period, on the proposed Council Tax Support Scheme (CTS) scheme for 2018/19.
- 1.2 To provide an opportunity for Policy Scrutiny Committee to discuss and comment, as part of the formal consultation period, on the increase to £20,000 a year to the Exceptional Hardship fund for 2018/19 to top up Council Tax Support awards in appropriate cases – to be funded through the collection fund.

## **2. Background**

- 2.1 The Council Tax Benefit system was abolished on 31<sup>st</sup> March 2013 and replaced by the Council Tax Support Scheme. This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders and residents. There are currently 9,160 residents claiming Council Tax Support in the Lincoln District. 3,243 are pensioners who are protected under the legislation and receive Council Tax Support as prescribed by the Government (broadly similar to the level of the former nationally-regulated Council Tax Benefit scheme). It is the 5,917 working age claimants where a local scheme can be determined which can change the level of support provided
- 2.2 The Council must consider whether to revise or replace its Council Tax Support scheme each financial year. Paragraph 4.6 of this report provides details of the scheme for consultation as agreed by Executive on 25 September 2017 and seeks Policy Scrutiny Committee's consideration and comments on the scheme options prior to Full Council in January 2018.

## **3. Reviewing the Council Tax Support scheme**

- 3.1 Every Billing Authority must consider whether it will revise its Council Tax Support scheme by 31<sup>st</sup> January every year and allow for a period of consultation with its major preceptors and other stakeholders before it is approved by full Council as required by the Local Government Finance Act 2012. A CTS scheme cannot be changed mid-financial year.
- 3.2 The financial year 2017/18 is the first year of operating the Council Tax Support scheme where changes have been made to the scheme (other than changes relating to amendments in, for example, Housing Benefit legislation, upratings etc). Prior to

this, for four years, City of Lincoln's criteria was aligned to the former Council Tax Benefit scheme, so working age claimants did not have their level of support reduced.

- 3.3 The proposed CTS scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority:-

*Before making a scheme, the authority must (in the following order):-*

- (a) consult any major precepting authority which has power to issue a precept to it,*
- (b) publish a draft scheme in such manner as it thinks fit, and*
- (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme*

- 3.4 Throughout 2017/18, claimant caseload has continued to reduce. It is expected to reduce due to national work incentives being rolled out through the Jobcentre Plus, implementation of Full Service Universal Credit in March 2018 and as economic recovery picks up and employment/incomes increase.

Caseload has decreased from 9,194 in April 2017 to 9,160 at 30 June 2017.

In terms of future caseload the Office of Budget Responsibility (OBR) had previously forecasted that claimant numbers would continue to reduce until 2017 but were then likely to plateau out and that the reduction in numbers would not be as significant as experienced during the period of the last Parliament. The anticipation of this reduction was based on national work incentives being rolled out through the Jobcentre Plus, continued implementation of Universal Credit and the recovery of the economy and impact on income levels. In addition there a number of initiatives and reviews being undertaken across the whole caseload which is reducing/removing entitlement (this includes Fraud and Error work, National real time data from HMRC, earnings, and self-employed reviews) which contribute to a reduction in caseload. Since the OBR forecasts were made the EU Referendum has taken place with the resulting level of uncertainty around the impact on the economy. This has the potential to impact on the claimant caseload although it is unlikely to do so in the initial years.

Officers have factored in a 2% caseload decrease, in the modelling.

- 3.5 The table below show the caseload changes from 1 April 2013

**Table 1:**

	Total Caseload	Pension Caseload	Working Age caseload
Apr-13	11018	4077	6941
Jul-13	10947	4036	6911
Oct-13	10829	3996	6833
Jan-14	10765	3935	6830
Apr-14	10603	3889	6714

Jul-14	10378	3827	6551
Oct-14	10171	3781	6390
Jan-15	10124	3724	6400
Apr-15	10108	3679	6429
Jul-15	10048	3644	6404
Apr-16	9581	3463	6118
Jul-16	9500	3417	6083
Apr-17	9194	3275	5919
Jun-17	9160	3243	5917

#### **Scheme options for 2018-19**

#### **4.**

- 4.1 Various scenarios have been modelled taking into account a number of different changes to the current scheme, such as current Council Tax and caseload levels, and an increase in Council Tax and decrease in caseload. These are summarised in **Appendix 1**, giving an indication of the potential cost and savings to City of Lincoln, and major preceptors. Along with the potential value for non-collection (based on 2016/17 outturn) and number of claimants affected by the change.
- 4.2 As a billing authority the Council could decide not to amend core elements of the current scheme. The current cost of the scheme for 2017/18 is higher than the predicted cost outlined in the Taxbase calculation which was undertaken in December 2016.
- The current cost of the 2017/18 scheme is £7,650,549 compared to the budgeted cost of £7,471,020. This is an increase of £179,529 – with City of Lincoln's share being £28,725. Whilst caseload has decreased, in modelling the 2017/18 scheme, a Council Tax increase of 0% was modelled. Once the scheme had been approved, a Council Tax increase was also approved and as a result, the scheme cost increased.
- 4.3 There were significant changes announced within the Welfare Reform and Work Bill 2015/16. A number of these changes were included in the 2017/18 scheme, however there was no protection for vulnerable customers.
- 4.4 There will be some technical changes that will still need to be applied to ensure that the Council's scheme complies with the Prescribed Scheme Regulations (covering Universal Credit, premiums and discounts). These details are still awaited from the Department for Communities and Local Government (DCLG).
- 4.5 Technical amendments to the scheme in relation to uprating income, applicable amounts, disregards and allowances are to be collated once statutory details have been released by the Secretary of State; it is intended that these will be circulated to Members for consideration at the Executive meeting of 8 January 2018. There will be no change to the adopted policy in the way CTS is calculated for these areas.
- 4.6 The options that have been modelled are as follows and are shown in **Appendix 1**:
- Option 1: No change to the current scheme

- Option 2: Current scheme with protection for vulnerable customers (pensioners are already protected) – these include where a member of the household is: -
  - In receipt of War Pension or War Widows Pension;
  - In receipt of a Disability Premium (inclusive of enhanced and severe disability premiums);
  - A child and qualifies for a disabled child premium;
  - In receipt of a qualification for disabled earnings disregard;
  - In receipt of a qualification for a carer premium / underlying entitlement to carers allowance
  - In receipt of Employment Support Allowances (all types)
- Option 3: Protection for vulnerable customers and restrict Young Persons Allowance to 2 dependants in line with child tax credit – an additional allowance is given to any dependant in the household. From 1 May 2016, the Government made a number of changes to benefits and tax credits for people with children, and this was one of those changes. For Council Tax Support, it was for the Local Authority to decide whether the allowance would be restricted;
- Option 4: Protection for vulnerable customers and abolish Family Premium - the family premium is an additional amount which can be added to a households' applicable amount – essentially increasing the amount of Council Tax Support which can be awarded. From 1 May 2016, the Government made a number of changes to benefits and tax credits for people with children, and this was one of those changes. For Council Tax Support, it was for the Local Authority to decide whether the premium would be removed;
- Option 5 and 6: Restrict maximum entitlement to 95% or 90% - meaning all but exempted claimants pay a minimum of 5% or 10% towards Council Tax. Currently there is no restriction and 100% is awarded.

None of these options are mutually exclusive and it is possible to select a number of proposals in order to develop the final scheme.

4.7 In developing the modelling for each of the options a number of assumptions have been made, as follows:

- Uprating Freeze for social security benefits, including Housing Benefit for 4 years.
- 1.9% increase in Council Tax. As the Council and major preceptors are likely to set differing levels of Council Tax increases it creates a variety of modelling scenarios. An increase of 1.9% has therefore been assumed with the comparable budget figure for 2018/19 also assuming a 1.9% increase. The final cost of the scheme will though be increased by the level of Council Tax increases applied.
- 2% reduction in caseload for 2018/19.

- Collection Rate of 98.75%. The current Council Tax base is calculated on this collection rate which takes into account in year collection and collection of arrears. For 2018/19 it is proposed that the collection rate, based on current collection, is maintained at 98.75%. Although the proposed changes will require some taxpayers who have not previously paid Council Tax to now be liable for an element of their Council Tax, the number of customers affected and the value of those impacts are not considered to have a significant impact on the overall collection rate. Modelling therefore assumes a collection rate of 98.75%.

4.8 In relation to the last point above, it should be made clear to Members that by making changes to the current scheme then there will be households that do not currently pay Council Tax that will become liable under a new scheme. The collection of such amounts may prove problematic, may increase the work of the Recovery Team and could ultimately prove uneconomic to pursue. **Appendix 1** provides an estimate, where relevant of the level of Council Tax that would be charged where currently no charge is made.

## 5. Reviewing the impact of the 2017/18 scheme

5.1 When considering the scheme for 2018/19, it is important to take into account the impact the 2017/18 scheme changes have had on residents. Officers advise that some residents have been adversely affected by the changes, with some impacts being more than expected when modelling was undertaken. This is due to other factors which were unknown to the council at the time of modelling – such as: -

- Customer in Band E property. They were affected by the cap to Band B. The customer was unable to move out of their property due to adaptations for a disability (these were not enough for a disabled band reduction to apply). As a result, the customer was awarded an Exceptional Hardship Payment (EHP) to cover the annual shortfall. If the protection for vulnerable customers was in place (as explained in Option 2 paragraph 4.6 of the report), the customer would not have faced the hardship and the EHP would have been available for others affected.

5.2 As a result of this, and a number of other cases similar to this, the Exception Hardship fund has been spent within Quarter 1. The 2017/18 Council Tax Support scheme was approved by Council on 10 January 2017, along with an Exceptional Hardship Scheme with a budget of £10,000 for the year 2017/18.

Exceptional Hardship Payments (EHP) assist persons who have applied for Council Tax Support and who are facing 'exceptional hardship' – it is similar to the Discretionary Housing Payment for Housing Benefit shortfalls. EHP provides a further financial contribution where an applicant is in receipt of Council Tax Support but the level of support being paid by the Council does not meet their full Council Tax liability.

5.3 The council is required to provide financial assistance to the most vulnerable residents, who have been disproportionately affected by the changes made in 2017 to the Council Tax Support Scheme. Since April 2013, the Council agreed to

introduce an Exceptional Hardship scheme each year, in order to provide a safety net for customers, in receipt of Council Tax Support who were experiencing difficulty paying their council tax.

- 5.4 There is a proposal to increase the EHP from £10,000 to £20,000 for 2018/19 and this will be included as part of the Council Tax Support consultation to major preceptors. If the scheme for 2018/19 takes into consideration the impact on vulnerable customers, any increase in costs will be shared between City of Lincoln and major preceptors as this is funded through the collection fund.

## 6. National Council Tax Support Schemes

- 6.1 Of the 326 Councils that administer Council Tax Support in England, the following information gives an overview of the schemes in operation: -

- 264 Councils have introduced a 'minimum payment' which requires everyone to pay at least some council tax regardless of income. A minimum payment can be administered in a range of ways. Most local authorities with a minimum payment require all residents to pay a proportion of their council tax, and they are only entitled to Council Tax Support for the remaining share. **In the 6 options modelled for 2018/19, officers have considered this scheme. Under options 5 and 6, a resident must pay 5% or 10% of their council tax liability but can apply for Council Tax Support to help pay for the remaining 95% or 90%.**
- 100 Councils have introduced a band cap which involves limiting the amount of support granted in higher banded properties. The most common band cap applied is D. **City of Lincoln has included a cap at Band B in its scheme since 1 April 2017.**
- 98 Councils have lowered the maximum savings limit (the savings limit over which one is no longer eligible for Support). Most of these have reduced the threshold from £16,000 to £6,000. **City of Lincoln has a maximum savings limit of £10,000 in its scheme from 1 April 2017.**
- 58 Councils have introduced a minimum CTS entitlement. This would result in claimants entitled to less than the 'minimum CTS entitlement' would receive no support. **City of Lincoln has a minimum entitlement of £2 per week in its scheme from 1 April 2017.**
- 25 Councils have not made any changes to the scheme.
- Some Councils have introduced more than one of the above measures.
- Councils have also been able to bring Council Tax Support schemes in line with Housing Benefit and Universal Credit legislation. One of the ways in which this has been achieved is to remove the family premium. The family premium is an additional amount which can be added to a households applicable amount – essentially increasing the amount of Council Tax Support

which can be awarded. From 1 May 2016, the Government made a number of changes to benefits and tax credits for people with children, and this was one of those changes. For Council Tax Support, it was for the Local Authority to decide whether the premium would be removed. Officers have modelled for a number of these changes to be taken into consideration for 2018/19.

Further information can be found on the 326 schemes at <http://www.counciltaxsupport.org/schemes/>

## **7. Recommended Scheme for Consultation**

- 7.1 Executive met on 25 September 2017 to consider the various scenarios modelled, as outlined in paragraph 4.6.
- 7.2 The decision by Executive at this meeting was for all scenarios to be consulted on.

## **8. Timetable**

- 8.1 The timetable to approve any change to the new scheme takes into account the existing calendar of meetings. The full council as Billing Authority needs to approve the scheme after consultation as outlined in paragraph 3.1.
- 8.2 The timetable is as follows: -
  - Consultation starts (6 weeks) – 2 October 2017
  - Policy Scrutiny Committee – 10 October 2017
  - Consultation Ends – 12 November 2017
  - Consultation analysis – From 13 November (2 weeks)
  - Executive 8 January 2018
  - Council – 23 January 2018.

## **9. Significant Policy Impacts**

### **9.1 Strategic Priorities**

**Let's drive economic growth** - Council Tax Support has a key role in Reducing Poverty and disadvantage by ensuring residents in those households who cannot afford to pay their Council Tax receive financial support. The changes to Council Tax Support form part of the national welfare reform agenda, with the risks of changes to numbers of claimants due to economic change and funding gap costs being passed from central government to local authorities. Central government now has a fixed cost funding arrangement whereas local government must set a scheme in advance of the financial year it applies to but cannot change it should circumstances change unexpectedly or if the assumptions used to decide the scheme are not realised. Central government states that this places responsibility for the local economy such as creating businesses and jobs on local government as part of the localism agenda

**Let's reduce inequality** - The Authority will be obliged to comply with its general equality duty under the Equality Act 2010. The scheme is being amended in line with statutory requirements and uprating the financial allowances. Early modelling shows

the number of customers affected and pay how much (total and average per week). Once a decision has been made regarding the options of modelling, an equality impact assessment will be undertaken.

Council Tax Support awards are notified on Council Tax bills. If the scheme were likely to change, consultation with precepting authorities, stakeholders and residents would be required. Once a decision has been made, notification within Council Tax bills and annual CTS uprating letters would be issued advising claimants of the decision once their award for the new financial year is known.

## **9.2 Organisational Impacts**

### **Finance** (including whole life costs where applicable)

The actual cost of the discount scheme in 2017/18 will not be known for certain until the end of the financial year and will be dependent on the actual caseload in year, as well as the levels of Council Tax set by the City Council and the major precepting authorities. An indicative range of costs based on various scenarios for 2018/19 is set out in **Appendix 1**.

The estimated cost of the scheme, based on current caseload, is taken into consideration when calculating the Council's tax base for the financial year and will impact on the estimated Council Tax yield for the year. Any difference in the actual cost of the discount scheme to that estimated in the tax base calculation will be accounted for within the Collection Fund and will be taken into account when future years surpluses or deficits are declared. A report on the Council's tax base for 2018/19 will appear elsewhere on Council's Committee agenda.

The exceptional hardship fund of £10,000, made available during 2017/18, will continue to be available into 2018/19 with a requested increase of £10,000 as part of this report – giving a total for 2018/19 of £20,000.

## **9.3 Legal implications inc Procurement Rules**

The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22<sup>nd</sup> November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council has also decided in 2013 to keep the schemes allowances and premiums in line with those for Housing Benefit for working age claimants. These are incorporated into amendments to the local scheme for approval by the Council.

The regulations for the City of Lincoln Council scheme proposed to be adopted are to be collated and made available for Council in January 2018.

## **9.4 Staffing**

No change to current staffing arrangements as a result of this policy.

## 9.5 Equality and Diversity

The Equality Impact Assessment is attached as **Appendix 2** and this will be reviewed following the consultation.

## 10. Risk Implications

- 10.1 The Council bears the risk of the cost of the Council Tax Support scheme should caseload increase causing the cost to increase more than predicted;
- 10.2 The final cost of the scheme could be increased to that modelled if the level of Council Tax increases above 1.9% (level applied in modelling);
- 10.3 Any revisions to the scheme must be approved by 31<sup>st</sup> January 2018 before the financial year begins;
- 10.4 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

## 11. Recommendations

- 11.1 Policy Scrutiny Committee is requested to comment on and consider the Local Council Tax Support scheme proposed for 2018/19, including the specific amendments as set out in section 7, as part of the public consultation process.

<b>Key Decision</b>	Yes
<b>Do the Exempt Information Categories Apply</b>	No
<b>Call In and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
<b>Does the report contain Appendices?</b>	Yes
<b>If Yes, how many Appendices?</b>	2
<b>List of Background Papers:</b>	None

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