

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

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

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

## **1. Purpose of Report**

- 1.1 For Executive to review consultation responses and consider City of Lincoln Councils' proposed Localised Council Tax Support Scheme (CTS) for 2018/19.
- 1.2 For Executive to review consultation responses and consider the approval to increase the Exceptional Hardship fund for 2018/19 to £20,000.

## **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. As at 30 November 2017, there are 8,923 residents claiming Council Tax Support in the Lincoln District. 3,177 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 5,746 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. As such it is necessary for Executive to consider whether the scheme requires reviewing for the 2018/19 financial year.
- 2.3 At the same time as introducing the Council Tax Support Scheme the Government also introduced a range of technical changes to the system of discounts and exemptions relating to Council Tax giving local authorities the ability to raise additional revenue dependent on whether they adopted the discounts and exemptions and to what level.
- 2.4 The current Council Tax Support scheme and Technical Amendments adopted for City of Lincoln are as follows: -

### **Council Tax Support**

- Backdating restricted to 1 month;
- Restricted Council Tax to Band B;
- Inclusion of temporary absence from home rule (4 weeks);
- Maximum capital allowance of £10,000; and
- Minimum CTS award of up to £2 per week

## **Technical Amendments**

- Any property empty (unoccupied and unfurnished) for less than two months will be granted 50% discount each month;
- If a property is empty (unoccupied and unfurnished) after two months, a full charge applies;
- If a property remains empty (unoccupied and unfurnished) for more than two years, an additional levy of 50% will be charged – making the total charge 150% (this is from the date the property first became empty);
- Occupation of a property for less than six weeks is not counted as a break in the empty period;
- The discount on furnished properties which are no-one's sole or main residence (second home) is 0%.

### **3. 2017/18 Council Tax Support Scheme**

- 3.1 The financial year 2017/18 is the fifth year of operating the Council Tax Support scheme with City of Lincoln's criteria. Last year was the first year City of Lincoln changed their scheme, as set out above.
- 3.2 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. Provision of a higher amount Exceptional Hardship Fund (EHP) would have helped to mitigate these issues.
- 3.3 As a result of such cases, the Exceptional 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. As a result of successful EHP applications received, the full £10,000 had been allocated. In order to continue to provide support to customers during 2017/18, Officers are able to consider applications using payments under Section 13A Local Government Finance Act 2012. This is not a funded award, but reduces the liability of customers.

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 scheme 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.

- 3.4 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.

- 3.5 As part of the consultation process, City of Lincoln has proposed to increase the EHP from £10,000 to £20,000 for 2018/19. 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.

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

- 4.1 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.
- 4.2 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*
- 4.3 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 8,923 at 30 November 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.

4.4 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
Oct-17	8964	3189	5775
Nov-17	8923	3177	5746

4.5 The current cost of the 2017/18 scheme is £7,437,599 (as at 30 November 2017) compared to the budgeted cost of £7,471,020. This is a decrease of £33,421 – with City of Lincoln's share being £5,347. Whilst caseload has decreased, in modelling the 2017/18 scheme, a Council Tax increase of 0% was modelled.

## **5. Scheme Options for 2018-19**

- 5.1 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.
- 5.2 As a billing Authority the Council could decide not to amend core elements of the current scheme and continue with the scheme as set out in paragraph 2.4 above. However the Council could, in light of current financial circumstances, propose a number of changes to both the core scheme and the technical adjustments.
- 5.3 In August 2017, in order to inform the proposed changes for the consultation process, various scenarios were 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 scenarios have since been remodeled

based on the caseload as at 20 December 2017.

5.4 The options that have been modelled are as follows. These are set out 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: -

- 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.

5.5 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%.

- 5.6 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 now lower than the predicted cost outlined in the Taxbase calculation which was undertaken in December 2016.
- 5.7 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, the decision was taken by Members not to protect certain vulnerable customers.
- 5.8 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).
- 5.9 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.
- 5.10 In relation to the last point above, it should be made clear to Executive 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.

## **6. National Council Tax Support Schemes**

- 6.1 In order to provide Executive with some context of what the other 326 Councils that administer Council Tax Support in England include as part of their CTS schemes, 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. Key Findings from Consultation

7.1 Based on the modelling undertaken in August 2017, the Executive at its meeting on 25 September 2017 agreed to consult on the following changes to the Scheme: -

- Restriction of young person's allowance to 2 dependent children
- Abolish Family Premium

- Reduce maximum entitlement to either 95% or 90%
  - Protection for vulnerable households
  - Continuation of the Exceptional Hardship Fund.
- 7.2 A formal consultation was held from 2 October 2017 to 10 November 2017. Letters were issued to all customers in receipt of Council Tax Support, with a link to the electronic survey which was made available on the Council's website, as well as through direct emails and press releases. A total of 387 surveys were completed (this is in comparison to 99 the previous year).
- 7.3 Details of the public consultation responses is included as **Appendix 2**, and presented the findings from the consultation. Key results are summarised below: -
- 73% of respondents agreed with the principles of the current scheme
  - 61% of respondents agreed with the restriction of young person's allowance
  - 39% of respondents agreed with the abolition of Family Premium
  - 29% of respondents agreed with a reduction to the maximum entitlement
  - 86% of respondents agreed to protection for vulnerable households
  - 82% of respondents agreed with the continuation of the Exceptional Hardship Fund.
- 7.4 Additional consultation responses have been received from The Police and Crime Commissioner for Lincolnshire (**Appendix 3**) and Lincolnshire County Council (**Appendix 4**), as the Council's Major preceptors for Council Tax.
- 7.5 The proposals were also considered by the Policy Scrutiny Committee at its meeting on 10 October 2017. The report was received well by the Committee, however, there were mixed opinions about Members' preferred options. The Committee minutes in relation to this item are included at **Appendix 5**.

## 8. Significant Policy Impacts

### 8.1 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.

## **8.2 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 current cost of the 2017/18 scheme is £7,437,599 (as at 30 November 2017) compared to the budgeted cost of £7,471,020. This is a decrease of £33,421 – with City of Lincoln's share being £5,347. Whilst caseload has decreased, in modelling the 2017/18 scheme, a Council Tax increase of 0% was modelled.

In comparison to the assumptions in the Medium Term Financial Strategy (MTFS) for 2018/19, the overall cost of the scheme is budgeted at £7,565,714. All proposed changes to the 2018/19 scheme result in a reduced cost, as shown 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.

## **8.3 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.

#### **8.4 Staffing**

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

#### **8.5 Equality and Diversity**

The Equality Impact Assessment is attached as **Appendix 6** and has been reviewed following the consultation.

### **9. Risk Implications**

- 9.1 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;
- 9.2 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);
- 9.3 Any revisions to the scheme must be approved by 31<sup>st</sup> January 2018 before the financial year begins;
- 9.4 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

### **10. Recommendations**

- 10.1 Executive is asked to recommend to Council that it: -
  - 1) Reviews consultation responses relating to the Localised Council Tax Support Scheme for 2018/19;
  - 2) Considers the proposed City of Lincoln Council's Localised Council Tax Support scheme for 2018/19 as below, and refer to Full Council for approval the following changes to the 2017/18 scheme;
    - Protection for vulnerable households;
    - Exceptional Hardship Fund of £20,000 (increase from £10,000).

**Key Decision**

Yes

**Do the Exempt  
Information Categories  
Apply**

No

**Call In and Urgency:** Is  
the decision one to which

No

Rule 15 of the Scrutiny  
Procedure Rules apply?

**Does the report contain  
Appendices?**

Yes

**If Yes, how many  
Appendices?**

6

Appendix 1: Modelling of options  
Appendix 2: Consultation Outcome  
Appendix 3: Response from Police and Crime  
Commissioner  
Appendix 4: Response from Lincolnshire County Council  
Appendix 5: 10 October 2017 Policy Scrutiny Committee  
minutes  
Appendix 6: Equality Impact Assessment

**List of Background  
Papers:**

None

**Lead Officer:**

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