

SUBJECT: LOCALISED COUNCIL TAX SUPPORT SCHEME – 2020/21

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: MARTIN WALMSLEY, HEAD OF SHARED REVENUES AND BENEFITS

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 scheme for Local Council Tax Support (CTS) for the financial year 2020/21, as well as regarding proposals made in relation to an Exceptional Hardship Scheme, also regarding Council Tax changes.

2. Background

- 2.1 The Council Tax Benefit system was abolished on 31st 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 8,542 residents claiming Council Tax Support in the Lincoln District.

There are 2,903 pensioners in receipt of Council Tax Support. Pensioners are protected under the legislation and receive Council Tax Support as prescribed by the Government (broadly similar to the level of Council Tax Benefit) and as a result are not affected by any changes made to the Council Tax Support Scheme.

It is the 5,639 working age claimants who will be affected by any changes made to the scheme, and as such any potential reduction in support being provided.

- 2.2 The Council agreed to a Local Council Tax Support Scheme which came into effect on 1st April 2013. Our scheme matched the previous Council Tax Benefit scheme, giving 100% support for both pension and working age customers.
- 2.3 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*
- © consult such other persons as it considers are likely to have*

an interest in the operation of the scheme.

3. Our Council Tax Support scheme

- 3.1 Our scheme has been updated by minor amendments each year to maintain the link with Housing Benefit and the previous Council Tax Benefit scheme.
- 3.2 For 2019/20, the cost of the scheme as at 31st August 2019 is £7,783,612, the Council's share of which is £1,183,109, for 8,542 claimants, 2,903 who are pensioners and 5,639 who are working age.
- 3.3 The current scheme has the following restrictions for working age customers: -
- Capital over £8,000;
 - Minimum entitlement of £2 per week;
 - Property banding capped at Band B e.g. a customer in Band C (and above) property, will only have their CTS calculated on Band B liability;
 - Backdating restricted to 1 month; and
 - Temporary absence from home in line with Housing Benefit.
- 3.4 The current scheme has the following Council Tax technical restrictions for all Council Tax Payers: -
- Introduction of additional 50% premium to empty properties over 2 years – total premium is 100% (total charge 200%);
 - Care leavers council tax exemption – 100% for those aged between 18 and 21st birthday and 50% for those up to their 22nd birthday;
 - Unoccupied discount 100% for the first month; and
 - Second Home discount of 0%.

4. Proposed Council Tax Support 'no change' scheme for 2020-21

- 4.1 Based on the current core elements of the existing scheme, a caseload reduction of 1% has been modelled, along with an increase in Council Tax (ranging from 2% to 4%). These are summarised in Appendix 1, giving an indication of the potential cost and savings to City of Lincoln. Also included is the potential value for non-collection (based on projected collection in the taxbase of 98.75%).
- 4.2 As a billing authority the Council can decide whether or not to amend core elements of its scheme each year. Officers are not proposing any changes to the core elements of the scheme.

There will be some technical changes that will still need to be applied to ensure that the Council's scheme complied with the Prescribed Scheme Regulations (covering Universal Credit, premiums and discounts). These details are still awaiting from the Ministry of Housing, Communities and Local Government (MHCLG).

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 on 20th January 2020. There will be no change to the adopted policy in the way CTS is calculated for these areas. Officers have considered if there is any need for any transitional arrangements to the revised scheme and concluded transitional arrangements are not needed for the 2020/21 scheme.

4.3 In developing the modelling for each of the Council Tax Support Scheme options a number of assumptions have been made, as follows:

- Uprating Freeze for social security benefits, based on the current national policy.
- As the Council and major preceptors are likely to set differing levels of Council Tax increases it creates a variety of modelling scenarios. An overall increase on all elements of between 2% and 4% has therefore been assumed for modelling purposes. The final cost of the scheme will though be increased by the level of Council Tax increases applied. The modelling does not though take into consideration that the Council's percentage share of the overall cost of the scheme would slightly reduce if other preceptors increase their Band D by a greater percentage than the Council, this would in effect reduce the cost of the scheme to the Council.
- 1% reduction in caseload for 2020/21.
- 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 2020/21 it is proposed that the collection rate, based on current collection, is maintained at 98.75%.

4.4 **Exceptional Hardship Scheme:**

Alongside a proposed 'no change' CTS scheme for 2020/21, it is also suggested that £20,000 for an Exceptional Hardship Scheme continues. 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.

The Council is required to provide financial assistance to the most vulnerable residents, who have been disproportionately affected by the changes made in 2020 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. Exceptional Hardship falls within Section 13A(1) of the Local Government Finance Act 1992 and forms part of the

Council Tax Support Scheme.

The current EHP budget is £20,000 and the cost of EHP awards is being borne solely by City of Lincoln. As at 31st August 2019, a total of £9,396 EHP has been awarded.

5. Proposed changes to Council Tax

5.1 Care leavers Council Tax Exemption:

In July 2016, HM Government, Edward Timpson, Minister of State for Children and Families produced a report titled '[Keep On Caring - Supporting Young People from Care to Independence](#)'. The report encourages all local authorities to consider how they can support their care leavers, using flexibilities at their disposal. One of these flexibilities is through the award of a Council Tax exemption.

In January 2019, Council approved for City of Lincoln to introduce support for care leavers within their 2019/20 Council Tax Support Scheme. A summary of the scheme is as follows: -

- *Award 100% discount on balance of Council Tax up to the individuals 21st birthday, then give 50% discount for a further year to the 22nd birthday. This would give a phased reduction towards full liability for Council Tax from the individuals 22nd birthday. Award to be made through the 2019/20 Council Tax Support Scheme.*

The Children's Society suggested that care leavers up to, at least the age of 21 be exempt from paying council tax, but that they would also receive additional support from the county up to the age of 25.

The term 'care leaver' is defined in The Children (Care Leavers) Act 2000 and refers to eligible, relevant and former relevant children.

- Eligible children are young people aged 16-17 who are still in care and have been 'looked after' for a total of 13 weeks from the age of 14 and including their 16th birthday.
- Relevant children are young people aged 16 and 17 who have already left care and who were 'looked after' for at least 13 weeks from the age of 14 and have been 'looked after' at some time while they were 16 or 17.
- Former relevant children are young people aged 18, 19, or 20 who have been eligible and/or received relevant support prior to this age.

Officers propose to consider the extension of the 100% support up to their 25th birthday. There are currently 3 care leavers between the age of 22 and 25 where this exemption could apply. If we were to assume support for those 3 cases, the **total cost would be £3,617.28** (assuming full support at Band A of £1,205.76). **For City of Lincoln, this would be a cost of £578.76.**

5.2 Council Tax empty homes premium:

From 1st April 2013, billing authorities have been able to charge a premium on a class of property that has been unoccupied and unfurnished for 2 years or more. From 1st April 2019, the premium increased to 100% (from 50%) of the Council Tax on the property – giving a total charge of up to 200%. From 1st April 2020, councils will have the powers to charge even greater premiums on homes left empty following an amendment to a government Bill.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows billing authorities to charge higher premiums on homes left empty.

The legislation provides for the following: –

- April 2020 – any property empty between five and ten years to receive a premium of 200% (giving a total charge of up to 300%); and
- April 2021 – any property empty over ten years to receive a premium of 300% (giving a total charge of up to 400%).

Decisions on whether to charge a premium, and the exact rates to be charged will remain a matter for Councils, taking local circumstances into account. Officers have included in consultation a number of considerations to be taken into account when applying the premium, - i.e. a range of factors to be considered by officers when determining whether or not such a premium is to be charged at individual case level.

Approval of any change for 2021/22 cannot be made until the 2021/22 Local Council Tax Support scheme has been consulted on.

6. Timetable

6.1 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 2.3.

6.2 The timetable is as follows: -

- Consultation – 30th October 2019 to 14th January 2020 - the Council is required to review their current Council Tax Support scheme. The proposals and recommendations seek to ensure the Council has a robust review of its current scheme and understand the implications of adopting a new scheme.
- Policy Scrutiny Committee – 14th January 2020 as part of consultation process.
- Executive – 20th January 2020.
- Council – 21st January 2020 - the Local Government Finance Act 2012 requires a full review of the scheme by the Billing Authority. City of Lincoln Council will need to approve a new scheme after consultation by 31st January 2020.

7. Significant Policy Impacts

7.1 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 (such as Citizens Advice and Financial Inclusion Partnership) 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.

7.2 Organisational Impacts

Finance (including whole life costs where applicable)

The actual cost of the discount scheme in 2020/21 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 2020/21 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.

The exceptional hardship fund of £20,000, made available during 2019/20, is proposed to continue for 2020/21.

If the care leavers' exemption was extended to the age of 25, there will be an additional cost of £3,617.28 (assuming full support at Band A of £1,205.76). For City of Lincoln, this would be a cost of £578.76.

7.3 Legal implications inc Procurement Rules

The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd 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 2020.

7.4 Equality, Diversity and Human Rights

The Authority will be obliged to comply with its general equality duty under the Equality Act 2010 and is shown in Appendix 3. The scheme is being amended in line with statutory requirements and uprating the financial allowances.

7.5 Staffing

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

8. Risk Implications

- 8.1 The Council, along with the other preceptors, bears the risk of the cost of the Council Tax Support scheme should caseload increase causing the cost to increase more than predicted.
- 8.2 Any revisions to the scheme must be approved by 31st January 2020, before the financial year begins.
- 8.3 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

9. Recommendations

9.1 Policy Scrutiny Committee is asked to:

- 1) Consider and comment on a proposed 'no change' Council Tax Support scheme for 2020/21, as set out in Section 4.
- 2) Consider and comment on the continuation of the £20,000 Exceptional Hardship fund for 2020/21 to top up Council Tax Support awards in appropriate cases. This amount is funded through the collection fund.
- 3) Consider and comment on proposed Council Tax changes for 2020/21 – i.e. Care Leavers exemption, and Council Tax empty homes premium (with a range of factors for consideration).

Key Decision Yes

Do the Exempt Information Categories Apply No

Call In and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

Does the report contain Appendices? Yes

If Yes, how many Appendices? 3

Appendix 1 –Modelling 2020/21
Appendix 2 – Suggested adjustments to Premium charges
Appendix 3 - Equality Impact Assessment

List of Background Papers: None

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