

SUBJECT:	LOCALISED COUNCIL TAX SUPPORT SCHEME 2022/23
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	MARTIN WALMSLEY, HEAD OF SHARED REVENUES AND BENEFITS

1. Purpose of Report

- 1.1 Proposes options for Executive to consider for consultation in respect of a 2022/23 Council Tax Support scheme, and accompanying Exceptional Hardship Payments scheme.

2. Background

- 2.1 The national Council Tax Benefit system was abolished on 31st March 2013 and replaced by the Council Tax Support Scheme (CTS). (CTS is also sometimes known as 'Council Tax Reduction' – CTR). This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders and residents.

- 2.2 As at the end of August 2021, there were 8,870 residents claiming CTS in Lincoln. 2,704 being pensioners who are protected under the legislation and receive CTS as prescribed by the Government (broadly similar to the level of Council Tax Benefit). It is the 6,166 working age claimants where a local scheme can be determined which can change the level of support provided. Unless a decision by the Council is made to apply scheme changes to vulnerable working-age customers, the localised CTS scheme would historically only be applied to non-vulnerable working age. Vulnerable working-age customers are those that have one of the following for CTS purposes:

- Disability Premium;
- Enhanced Disability Premium;
- Severe Disability Premium;
- Disabled Child Premium;
- In receipt of a war pension;
- Qualifies for disabled or long-term sick earnings disregard;
- Employment and Support Allowance (income-related, where the support or work-related component is received and has been recorded separately).

As at the end of August 2021, the split of the 6,166 working age CTS recipients is as follows:

- Working age – employed: 598;
- Working age – vulnerable: 3,069;
- Working age – other – i.e. not employed: 2,499.

- 2.3 The initial City of Lincoln CTS Scheme from 2013/14 effectively 'protected' working

age Council Tax payers seeking support, retaining eligible entitlement of up to 100% and not restricting other areas of entitlement calculation. However, in recent years the scheme has changed in light of increasing scheme costs and budget pressures.

2.4 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):-*
 - *Consult any major precepting authority which has power to issue a precept to it,*
 - *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. Impacts of Covid-19

3.1 Covid-19 has had an impact on the amount of CTS awarded, with significant increases in caseload and cost of the scheme.

3.2 The table below shows how Lincoln's CTS caseload has changed over the last two years.

	Working age	Pension age	Total
September 2019	5,639	2,903	8,542
December 2019	5,578	2,881	8,459
January 2020	5,601	2,865	8,466
February 2020	5,586	2,865	8,451
March 2020	5,638	2,853	8,491
April 2020	5,684	2,840	8,524
May 2020	5,972	2,835	8,807
June 2020	6,197	2,842	9,039
July 2020	6,159	2,832	8,991
August 2020	6,177	2,814	9,021
September 2020	6,225	2,806	9,031
October 2020	6,163	2,797	8,969
November 2020	6,193	2,786	8,979
December 2020	6,182	2,773	8,955
February 2021	6,227	2,754	8,981
April 2021	6,253	2,726	8,979
May 2021	6,250	2,726	8,976
June 2021	6,220	2,720	8,940
July 2021	6,191	2,718	8,909
August 2021	6,166	2,704	8,870

3.3 The level of CTS caseload is an important factor when considering the potential cost of a local CTS scheme – as effectively an increase in caseload increases the cost of the scheme, and vice versa the cost decreases when the CTS caseload reduces.

Understandably, the Covid-19 pandemic had a direct impact on the number of residents claiming Council Tax Support. This increase now seems to have plateaued somewhat, and is falling slightly. Although impossible to predict with certainty, it would appear likely that the caseload may rise again in the latter half of 2021/22 due to certain national 'protections' ending – for example, furlough scheme. Whether or not an increased CTS caseload continues into 2022/23, very much depends on the economic climate and impact on jobs and businesses from the Covid-19 pandemic.

4. City of Lincoln Council 2021/22 CTS Scheme

4.1 The current, 2021/22 scheme has the following restrictions for working age customers: -

- Capital limit £6,000;
- 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 regulations.

5. Council Tax Support Scheme Options for 2022/23

5.1 In this Council's Medium Term Financial Strategy (MTFS), the budgeted cost of the 2022/23 CTS scheme is £1,339,316 (i.e. City of Lincoln Council's share 14.9%, - (with the total scheme cost £8,988,698)).

If the Council wishes to continue protecting vulnerable working age CTS recipients, then any changes to the CTS scheme will only apply to 3,097 customers or 34.92% of the caseload. Changes to the CTS scheme may be made for vulnerable working age customers too, however pension age residents are 'protected' and the 'default' government scheme effectively applies.

City of Lincoln's CTS caseload at the end of August 2021 can be broken down as follows:

Caseload breakdown	Caseload	% of total caseload
Total caseload	8,870	
Pensioner	2,704	30.48%
Working age vulnerable	3,069	34.60%
Working age non-vulnerable	3,097	34.92%

5.2 Based on the current core elements of the existing scheme, caseload increases of 0% and 5% have been modelled, along with Council Tax increases of 1.9% and 2.5%. These are summarised in **Appendix 1**, giving an indication of the potential cost and savings to City of Lincoln Council. Also included is the potential value for non-collection, based on the collection figure currently included in the MTFS (98.75%).

- 5.3 As a billing authority the Council can decide whether or not to amend core elements of its scheme each year. Officers are proposing options for consultation to change certain core elements of the scheme, these are summarised in **Appendix 1**.

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 (for example, covering Universal Credit, premiums and discounts). These details are awaited 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.

- 5.4 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 current national policy;
- As the Council and major preceptors are likely to set differing levels of Council Tax increases, this creates a variety of modelling scenarios. **Council Tax increases of 1.9% and 2.5%** have therefore been assumed for modelling purposes. The final costs of the scheme will though be increased by the actual 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.
- **No increase in caseload for 2022/23, also a 5% caseload increase**. The 0% caseload change would effectively allow for the slightly decreasing CTS caseload to continue, then potentially rise slightly as national Covid-19 'protections' end and as the economy becomes more buoyant the CTS caseload falls again. However, a company offering advice to Revenues and Benefits services has indicated there could be caseload increases of up to 5%. Of course, officers can only predict the economy and subsequent impacts on Covid-19 caseload, particularly in the current climate this cannot be an 'exact science'.
- **Collection rate of 98.75%**. The Council Tax base 2020/21 included a collection rate of 98.75%, however this was reduced to 97.75% for 2021/22 to take into account impacts on collection due to Covid-19. The MTFS assumes a return to the pre Covid-19 collection rate of 98.75% from 2022/23.

Another key factor to be considered is to ensure our software supplier, Northgate, can accommodate the changes being proposed. Normally, Northgate would need to know about any potential significant changes required to the software system by the end of September preceding the new year a CTS scheme is being proposed – i.e. by the end of September 2021, for the 2022/23 scheme.

- 5.5 The options proposed to be considered, are as follows, (all options are modelled

including the factors as set out in paragraph 5.4 (above):

- **Option 1: No change to the current scheme;**
- **Option 2: ‘All working age’ banded scheme** - * see paragraph 5.6 (below) for further information ;
- **Option 3: ‘De Minimis’ scheme** - * see paragraph 5.7 (below) for further information. (Not modelled – A ‘De Minimis’ scheme is not included in the Northgate CTS modelling tool).

Options 2 and 3 very much focus on simpler schemes for customers where many will receive less re-assessments of CTS entitlement in-year, reducing the number of complex CTS notifications they receive as well as subsequent Council Tax Bills with revised payment instalments. These options would also make a more efficient scheme for officers, reducing the cost of outgoing correspondence.

5.6 ‘All Working Age’ Banded Scheme

For 2022/23, an option being put forward is to make a fundamental change to the way CTS is calculated for all working-age customers.

Part of this proposal is due to the way Universal Credit (UC) is re-assessed on a monthly basis by Department for Work and Pensions (DWP) – this means many Council Tax payers have their UC entitlement altered each month – for example, where they have a fluctuating wage. If the UC recipient is also receiving CTS, this subsequently means that they then have a re-assessment of their CTS entitlement – meaning that it is possible to keep having a new bill sent each month, with instalments for repayment being ‘re-set’ – which can be confusing for customers, as well as administratively inefficient for officers – and preventing recovery progressing where there is non-payment of Council Tax. This is a particular issue with customers who have opted to pay by direct debit, as month after month the instalment resets and the direct debit is never taken. This moves their whole debt to the end of the year where potentially they are asked to pay more than they can afford, when they may have made every effort to pay this during the year.

Although income changes for UC customers are more likely to be more frequent, other working age CTS customers can also have numerous changes in income throughout a financial year, also causing numerous re-assessments in entitlement and multiple entitlement notifications and Council Tax bills being issued – which result in enquiries to the Revenues and Benefits Service, as well as to Customer Services.

Therefore, an option is an income-banded scheme which would apply to UC and non-UC working age customers – (otherwise effectively a ‘two-tier’ scheme would be in place, if the scheme was for UC recipients only). This would include groups currently protected as ‘vulnerable’ – which could potentially mean some customers receive a lesser award of CTS than under the current scheme. However, through effective use of the Exceptional Hardship Payments scheme (see paragraph 5.8), some of these effects may be mitigated.

For the purposes of modelling such a scheme, the following parameters have been included. However, if this option is taken forward for further consideration/

consultation – further work will be carried out on these income bands and level of non dependant deduction. To make the scheme work effectively, the ‘bands’ will need to be as reflective as possible of current caseload earnings levels – to reduce numbers that may ‘lose out’ under a banded scheme, - as well as also removing excessive changes between income bands throughout the year. The levels initially proposed are as follows – income bands shown are weekly figures:

Discount	Passported	Single Income Band £	Couples Income Band £	Family with 1 child £	Family with 2+ children
Band 1: 100%	Relevant benefit	0.00 to 120.00	0.00 to 165.00	0.00 to 220.00	0.00 to 275.00
Band 2: 85%	N/A	120.01 to 160.00	165.01 to 210.00	220.01 to 265.00	275.01 to 315.00
Band 3: 50%	N/A	160.01 to 245.00	210.01 to 285.00	265.01 to 345.00	315.01 to 385.00
Band 4: 25%	N/A	245.01 to 315.00	285.01 to 365.00	345.01 to 420.00	385.01 to 470.00

Under this scheme, it is proposed the following incomes would be disregarded (not taken into account):

- Disability Living Allowance;
- Personal Independence Payment;
- Armed Forces Independence Payment;
- Child Benefit;
- Child Maintenance;
- War Disablement Benefits.

The following fixed-rate non-dependant deductions would apply:

Non dependant deduction where non-dependant is not working. Also, a non-dependant deduction will not apply in some circumstances, such as where certain household members have disabilities, are pensioners, students, receiving war pension incomes (including Armed Forces Independence Payments) or members of the armed forces away on operations.	Deduction – Nil
Non dependant deduction where non-dependant is in work or their level of income has not been ascertained	Deduction - £4.00 per week

5.7 ‘De Minimis’ Scheme

An option, which could be applied across all working age CTS recipients, would be to effectively ‘ignore’ any change in circumstance which affects weekly CTS entitlement by less than £4.00 (either increased or decreased entitlement). This would reduce the number of CTS re-assessments being made affecting the level of entitlement, reduce the number of updated Council Tax bills being issued, reduce the need for customers to contact the Revenues and Benefits Office, or Customer

Services, to query their change to entitlement/ new Council Tax bill.

This is a relatively straightforward scheme to implement and administer, producing efficiencies for the service – allowing officers to deal with more complex cases and the increased workload in other areas of Revenues and Benefits administration.

- 5.8 **Continuation of the Exceptional Hardship Payments scheme:** 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 (DHP) 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 2021 to the Council Tax Support Scheme. Since April 2013, the Council has agreed to introduce an EHP 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 borne solely by City of Lincoln. As at 31st August 2021, a total of £9,070 EHP has been awarded for 2021/22. It should be noted though there is an additional government-funded Council Tax Hardship Scheme available in 2020/21 and 2021/22, which has also been utilised to assist those receiving Council Tax Support (and others who may require this kind of financial assistance) – officers are unaware of any plans for this latter hardship fund to be available in 2022/23. It is therefore proposed that the EHP budget be increased from £20,000 to £25,000 for 2022/23.

The EHP scheme could be vital if any of the options proposed in paragraphs 5.6 and 5.7 are implemented – as this could potentially be used in appropriate circumstances to make payments to CTS recipients with reduced awards under the scheme and suffering exceptional hardship as a result.

5.9 **Timetable**

- 5.10 The timetable to approve any changes to the new scheme takes into account the existing calendar of meetings. Full Council of the Billing Authority needs to approve the scheme after consultation as outlined in paragraph 2.3.

- 5.11 The timetable is as follows:

- Executive: 25th October 2021, *to consider/approve options for consultation*
- Consultation starts (6 weeks): 27th October 2021, *including consultation with public, other appropriate organisations (e.g. Citizens Advice), and major precepting authorities*
- Policy Scrutiny Committee: 23rd November 2021, *as part of consultation process*
- Consultation Ends: 8th December 2021
- Executive: 4th January 2022, *to refer to Council a recommendation on a*

proposed 2022/23 scheme

- Council: 18th January 2022, *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 2022.*

6. Significant Policy Impacts

6.1 Strategic Priorities

Let's drive inclusive 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 all kinds of 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.

6.2 Organisational Impacts

Finance (including whole life costs where applicable)

The actual cost of the discount scheme in 2022/23 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 for 2022/23 based on various scenarios and the options set out in section 5 of this report are set out in **Appendix 1**.

It should be noted that modelling financially for the proposed banded scheme and De Minimis scheme comes with a real 'disclaimer' that the modelling can only be based on information available at that time within the CTS caseload – and due to

the nature of these schemes it is almost impossible to predict with any certainty which new claims and changes will affect the levels of CTS being awarded in 2022/23 – therefore, the cost of the scheme is unpredictable.

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.

It is proposed the Exceptional Hardship Payments fund of £20,000 for 2021/22, be increased to £25,000 for 2022/23 – the cost of this fund is wholly borne by City of Lincoln Council as Billing Authority.

6.3 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 2022.

6.4 Equality, Diversity and Human Rights

The Authority will be obliged to comply with its general equality duty under the Equality Act 2010 – an Equality Impact Assessment is included at **Appendix 2** to this report.

6.5 Staffing

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

7. Risk Implications

7.1 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.

7.2 Any revisions to the scheme must be approved by 31st January 2022 before the financial year begins.

7.3 The scheme cannot be changed mid-year and therefore it is vital an appropriate scheme is in place.

8. Recommendations

8.1 Executive is asked to:

- 1) Consider and comment on Council Tax Support scheme 2022/23 potential options for public consultation and scrutiny, as set out in Section 5;
- 2) Discuss, review and determine if an increased (by £5,000) Exceptional Hardship Payments scheme fund of £25,000 for 2022/23 to top up Council Tax Support awards in appropriate cases, will be subject to public consultation and scrutiny. This amount is funded through the Collection Fund.

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? 2

Appendix 1 – Council Tax Modelling 2022/23
Appendix 2 – Equality Impact Assessment

List of Background Papers: None

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