

SUBJECT:	LOCALISED COUNCIL TAX SUPPORT SCHEME 2023/24
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	MARTIN WALMSLEY, ASSISTANT DIRECTOR – 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 of a 2023/24 Council Tax Support scheme, and accompanying Exceptional Hardship Payments scheme.

2. Background

- 2.1 The Council Tax Benefit system was abolished on 31st March 2013 and replaced by the Council Tax Support (CTS) Scheme. This scheme can be determined locally by the Billing Authority having had due consultation with precepting authorities, key stakeholders and residents. As at 24th August 2022, there were 8,441 residents claiming Council Tax Support in the City of Lincoln. 2,636 are 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 5,805 working age (including those classified as 'vulnerable' for CTS purposes) claimants where a local scheme can be determined which can change the level of support provided.

- 2.2 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).

The split of the 5,805 working age CTS recipients is as follows:

- Working age – vulnerable: 3,110;
- Working age (not vulnerable): 2,695.

- 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. Changes in Caseload

3.1 Whilst for a period of time claimant levels remained stable, Covid-19 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 three years.

	Working age	Pension age	Total
September 2019	5,639	2,903	8,542
October 2019	5,626	2,878	8,504
November 2019	5,578	2,881	8,459
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
January 2021	6,227	2,754	8,981
February 2021	6,227	2,754	8,981
March 2021	6,227	2,747	8,974
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
September 2021	6,120	2,679	8,799
October 2021	6,081	2,664	8,745
November 2021	6,042	2,653	8,695

December 2021	5,993	2,649	8,642
January 2022	5,924	2,642	8,566
February 2022	5,901	2,638	8,539
March 2022	5,898	2,645	8,543
April 2022	5,912	2,640	8,552
May 2022	5,882	2,636	8,518
June 2022	5,891	2,618	8,509
July 2022	5,846	2,626	8,472
August 2022	5,805	2,636	8,441

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 CTS. It can be seen that caseloads rose sharply in 2020 and 2021 as an outcome of the impact of Covid-19 on the economy and residents' incomes. The caseload then plateaued somewhat before falling and returning back to pre-pandemic levels. However, with the ongoing cost of living pressures on residents there is the potential that the number of claimants may begin to increase again.

4. City of Lincoln Council 2022/23 CTS Scheme

4.1 The current, 2022/23 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 2023/24

5.1 In this Council's Medium Term Financial Strategy (MTFS), the budgeted cost of the 2023/24 CTS scheme is £1,277,300 (i.e. City of Lincoln Council's share 14.5%, - (with the estimated total scheme cost of c£8.8m dependent on increases in the main preceptors levels of Council Tax).

If the Council wishes to continue protecting vulnerable working age CTS recipients, then any changes to the CTS scheme will only apply to 2,695 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 as at 24th August 2022, can be broken down as follows:

Caseload breakdown	Caseload	% of total caseload
Total caseload	8,441	
Pensioner	2,636	31.23%
Working age vulnerable	3,110	36.84%
Working age non-vulnerable	2,695	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. Proposed options for consultation that were considered by Executive on 17th October 2022, are included at Appendix 1 to this report.

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 Department for Levelling Up, Housing and Communities (DLUHC).

Technical amendments to the scheme in relation to uprating incomes, 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 CTS scheme options a number of assumptions have been made, as follows:

- **No uprating of benefits figures** - although the national benefits uprating figure is 3.1% for 2022/23 and there could be an assumption made that this may be the same for 2023/24, by applying this uprating % but not applicable amounts would put modelled calculations 'out of sync'.
- 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 2023/24, also a 5% caseload increase.** These caseload projections would effectively allow for the currently-slightly decreasing CTS caseload to continue, then potentially rise due to forecast

increased cost of living pressures. Of course, officers can only predict the economy and subsequent impacts on CTS caseload, particularly in the current climate this cannot be an 'exact science'.

- **Collection rate of 98.75%.** The MTFS assumes a collection rate of 98.75% for 2023/24 (this is same as the 2022/23 figure, as the MTFS includes reference to 'maintaining current base'). Given the cost of living crisis, the collection rate will be reviewed as part of the development of the updated MTFS.

Another key factor to be considered is to ensure our software supplier, NEC, can accommodate the changes being proposed. Normally, NEC 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 2022, for the 2023/24 scheme.

5.5 The options considered for consultation by Executive on 17th October 2022, are as follows, (both options are modelled including the factors as set out in paragraph 5.4 (above)):

- **Option 1: No change to the current scheme;**
- **Option 2: Introduction of a 'banded scheme' for Universal Credit recipients based on earnings income** - *see paragraph 5.6 (below) for further information.

5.6 **Universal Credit Banded Scheme based on earnings income**

For 2023/24, an option which was put forward for consideration is to make a fundamental change to the way CTS is calculated for customers who are in receipt of Universal Credit (UC).

Due to the way UC is re-assessed on a monthly basis by Department for Work and Pensions (DWP) – this means some Council Taxpayers 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.

Therefore, an option which could be considered is to adopt an income-banded local CTS scheme for UC recipients based on claimant and partners earnings. Above this, an option could also be to have fixed non-dependant deductions for these claims. Key objectives would be to move towards a scheme that is more adaptable to UC regulations, - and to provide clarity to UC claimants as to what their entitlement to CTS will be.

This scheme looks purely at whether a Universal Credit claimant (and partner, if applicable) is working and if so, what their net monthly earnings are. Officers would receive this information directly from the DWP.

This modelled scheme option has a series of 'income bands' and a customer's entitlement to CTS is based on what band their earned income falls within. A banded scheme means that small changes in a claimant's income will not necessarily change their entitlement to CTS.

To give this some context in terms of numbers, the CTS working age caseload as at 24th August 2022 is 8,441, and of this figure 3,414 customers are in receipt of UC – equating to 40.45%.

For the purposes of modelling such a scheme, the following parameters have been included. However, if this option was to be taken forward for further consideration/consultation – further work would be carried out on these income bands and levels of non dependant deduction.

Income bands – monthly earnings	Contribution towards Council Tax (monthly)
Not in work or less than £290	£0
£290 to £609.99	£35
£610 to £1,159.99	£80
£1,160 to £1,844.99	£120
£1,845 to £2,369.99	£185
£2,370 to £2,899.99	£240
Over £2,900	No entitlement to Council Tax Support

5.7 Whilst the UC banded scheme modelled as part of this report (paragraph 5.6 (above)), is likely to achieve some efficiencies, - potentially now is not the right time to change to this scheme. There are variables around entitlement which would result in some customers receiving an increased CTS award, and with some receiving a reduced CTS award. The initial modelling of the UC banded scheme also shows that the banded scheme could actually cost more due to there being more increased than decreased awards, also due to claimant numbers potentially increasing due to the cost of living challenges – which could be a further financial pressure for the Council at a time when it is facing escalating costs due to current economic factors.

Also, UC numbers are still relatively low – however, with the government announcing an intention to complete a managed migration from legacy benefits to UC by the end of 2024, the UC banded scheme would potentially achieve further efficiencies from either 2024/25 or 2025/26.

5.8 **Continuation of the Exceptional Hardship Scheme:** Exceptional Hardship Payments (EHP) assist persons who have applied for CTS 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 CTS 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 2023 to the CTS 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 CTS Scheme.

The cost of EHP awards is borne solely by City of Lincoln. As at 26th August 2022, a total of £11,551.44 EHP has been awarded for 2022/23. It is proposed that an EHP budget of £25,000 be in place for 2023/24.

The EHP scheme could be particularly vital if an option such as that detailed in paragraph 5.6 was to be 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 Committee and Consultation 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 2.4.

5.11 The timetable is as follows:

- Executive: 17th October 2022, *to consider/approve options for consultation*
- Consultation starts (6 weeks): 19th October 2022, *including consultation with public, other appropriate organisations (e.g. Citizens Advice), and major precepting authorities*
- Policy Scrutiny Committee: 22nd November 2022, *as part of consultation process*
- Consultation Ends: 29th November 2022
- Executive: 3rd January 2023, *to refer to Council a recommendation on a proposed 2023/24 scheme*
- Council: 17th January 2023, *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 2023.*

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 2023/24 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 levels of Council Tax set by the City Council and the major precepting authorities.

An indicative range of costs for 2023/24 based on various scenarios and the options set out in section 5 of this report are 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 Council Tax Collection Fund and will be taken into account when future years surpluses or deficits are declared.

It is proposed an Exceptional Hardship Fund of £25,000, be made available during 2023/24 – 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 2023.

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 2023, before the new 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 Policy Scrutiny Committee is asked to:

- 1) Consider and comment on options for a 2023/24 Council Tax Support scheme, noting that Executive agreed on 17th October 2022 that a 'no change' scheme for 2023/24 be agreed as the preferred option for public consultation and scrutiny – also that further detailed modelling of a Universal Credit banded scheme from 2024/25 be undertaken.
- 2) Consider and comment on maintaining an Exceptional Hardship Fund of £25,000 for 2023/24.

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 2023/24
Appendix 2 – Equality Impact Assessment

List of Background Papers: None

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