

SUBJECT:	LOCALISED COUNCIL TAX SUPPORT SCHEME 2024/25
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	MARTIN WALMSLEY, ASSISTANT DIRECTOR – SHARED REVENUES AND BENEFITS

1. Purpose of Report

- 1.1 To provide information regarding the outcome of consultation regarding 2024/25 Council Tax Support scheme options.
- 1.2 To propose options for a Council Tax Support scheme for the 2024/25 financial year, which must be approved by Council before 31st January 2024.

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 November 2023, there are 8,330 residents claiming Council Tax Support in the City of Lincoln. 2,579 are pensioners who are protected under the legislation and receive Council Tax Support as prescribed by the Government (broadly similar to the level of Council Tax Benefit). It is the 5,751 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 current split of the 5,817 (31.7.2023) working age CTS recipients is as follows:

- Working age – vulnerable: 3,242;
- Working age (not vulnerable): 2,575.

- 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 four years.

	Working age	Pension age	Total
September 2019	5,639	2,903	8,542
December 2019	5,578	2,881	8,459
March 2020	5,638	2,853	8,491
June 2020	6,197	2,842	9,039
September 2020	6,225	2,806	9,031
December 2020	6,182	2,773	8,955
March 2021	6,227	2,747	8,974
June 2021	6,220	2,720	8,940
September 2021	6,120	2,679	8,799
December 2021	5,993	2,649	8,642
March 2022	5,898	2,645	8,543
June 2022	5,891	2,618	8,509
September 2022	5,812	2,642	8,454
December 2022	5,830	2,639	8,469
March 2023	5,841	2,608	8,449
June 2023	5,867	2,591	8,458
November 2023	5,751	2,579	8,330

- 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 2023/24 CTS Scheme

4.1 The current, 2023/24 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 2024/25

5.1 In this Council's Medium Term Financial Strategy (MTFS), the budgeted cost of the 2024/25 CTS scheme is £1,288,500 (i.e. City of Lincoln Council's share 14.3%, - (with the estimated total scheme cost of c£9.02m 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 2,471 customers or 29.66% 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 the end of November 2023, can be broken down as follows:

Caseload breakdown	Caseload	% of total caseload
Total caseload	8,330	
Pensioner	2,579	30.96%
Working age vulnerable	3,280	39.38%
Working age non-vulnerable	2,471	29.66%

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 2.9%. 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 are included in 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:

- **5% uprating of benefits figures** - the national benefits uprating figure was 3.1% for 2022/23, and then an initially unanticipated 10.1% in 2023/24 (in line with the September 2022 inflation rate). As the actual 2024/25 benefits upratings figure was only announced at the Autumn Statement on 22nd November 2023 (6.7%), further work needs to take place on this increased uprating percentage – however, it is unlikely to make a significant difference to the figures already modelled.
- 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 2.9%** 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 2024/25, 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 ongoing and potentially 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 2024/25 (this is higher than the 2022/23 figure of 98.25%). Given the cost of living crisis, the collection rate will be reviewed as part of the development of the updated MTFS.

5.5 The options considered for consultation by Executive on 18th September 2023, were 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 all working age customers**
- *see paragraph 5.6 (below) for further information.

5.6 Banded Scheme for all Working Age Customers

For 2024/25, an option which was put forward for consideration was to make a fundamental change to the way CTS is calculated for working age customers.

This could be a more streamlined, efficient, and easier to understand scheme based on specified income bands and percentage awards. A key factor for consideration is due to the way Universal Credit (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 for consideration was to adopt an income-banded local CTS scheme for all working age CTS customers (not just UC recipients). Key objectives would be to move towards a scheme that is more adaptable to UC regulations, - and to provide clarity to customers as to what their entitlement to CTS will be.

Currently, 3,715 CTS customers are in receipt of UC, - which equates to 63.88% of the working age caseload.

The scheme that was being modelled would have 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. Officers continued to model a range of factors in relation to a potential banded scheme, with a view to refining options in advance of and during the consultation period, to present a final potential option to Executive in January 2024.

Such a banded scheme would be likely to achieve some efficiencies, - particularly in terms of simplicity of scheme for customers – reducing customer enquiries and subsequent responses, reductions in Council Tax adjustment notices being issued (e.g. in cases with Universal Credit entitlement changes month-on-month). With UC managed migration announced as being progressed in the latter part of 2023/24 and during 2024/25, now would appear to be the time to introduce such a banded 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. However, the scheme was being modelled and designed to try and keep these fluctuations as low as is possible, - but with an exceptional hardship scheme fund proposed to sit alongside a banded scheme – where appropriate, reductions in 2024/25 CTS awards could be mitigated.

- 5.7 **Continuation/Increase 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 the end of November 2023, a total of £6,792 EHP has been awarded for 2023/24. It is proposed that an EHP budget of £25,000 be in place for 2024/25 (the same figure as available in 2023/24).

5.8 Committee and Consultation Timetable

5.9 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.

5.10 The timetable is as follows:

- Executive: 18th September 2023, *to consider/approve options for consultation*
- Consultation starts (6 weeks): 2nd October 2023, *including consultation with public, other appropriate organisations (e.g. Citizens Advice), and major precepting authorities*
- Policy Scrutiny Committee: 3rd October 2023, *as part of consultation process*
- Consultation Ends: 16th November 2023
- Executive: 2nd January 2024, *to refer to Council a recommendation on a proposed 2024/25 scheme*
- Council: 16th January 2024, *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 2024.*

6. Outcomes of Consultation

6.1 175 responses through public consultation were received, - as well as responses from Lincolnshire County Council, and Lincolnshire Police and Crime Commissioner. Responses are included as appendices to this report. To summarise key points from consultation:

- Policy Scrutiny Committee supported consultation on a no change scheme, also supporting consultation on a working age banded scheme as well as further detailed modelling of such a scheme.
- Public consultation responses were mixed, with 151 supporting a 'no change' scheme. 101 respondents supported a working age banded scheme, however of these 101 respondents, 91 also answered 'yes' in support of a no change scheme.
- Lincolnshire County Council was supportive of a banded scheme option, whilst recognising it had not been possible to analyse the potential financial impacts

during the consultation period (due to the data not being available).

- Lincolnshire Police and Crime Commissioner was supportive of a simplified scheme such as the income-banded option proposed, however again recognised that it had not been possible to analyse the potential financial impacts at consultation stage.

6.2 However, despite significant efforts by the Council to 'build' a potential banded scheme, the software supplier was unable to achieve this to the timescales required. Therefore, it is not possible to carry out robust and intensive testing, which would be required before even considering implementing a significantly changed CTS scheme for 2024/25 such as a working age banded scheme.

7. Significant Policy Impacts

7.1 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.

7.2 Organisational Impacts

Finance (including whole life costs where applicable)

The actual cost of the discount scheme in 2024/25 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 2024/25 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 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 2024/25, if a 'no change' scheme is to be implemented. The cost of this fund is wholly borne by City of Lincoln Council as Billing Authority.

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 2024.

7.4 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.

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 2024 before the financial year begins.
- 8.3 The scheme cannot be changed mid-year and therefore it is vital an appropriate scheme is in place.

9. Recommendations

9.1 Executive is asked to:

- 1) Consider this report, taking into consideration the responses as part of the consultation.
- 2) Executive is asked to recommend to Council that it:
 - (a) Approves a 'no change' to the core Council Tax Support scheme for 2024/25 as set out in Section 4 and subject to the technical amendments described in paragraph 5.3;
 - (b) Approves an Exceptional Hardship Fund of £25,000 to be available, for the financial year 2024/25;
 - (c) Approves further detailed modelling of a banded scheme for all working age customers, with delivery to be assured from our ICT provider at a timescale to allow for robust and accurate testing of such a potential scheme, with a view to consulting on such a scheme for 2025/26.

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?	6
	Appendix 1 – Council Tax Support Modelling 2024/25
	Appendix 2 – Policy Scrutiny Committee Draft Minutes 3 rd October 2023
	Appendix 3 – Summary of public consultation responses
	Appendix 4 – Consultation response from Lincolnshire County Council
	Appendix 5 – Consultation response from Lincolnshire Police and Crime Commissioner
	Appendix 6 – Equality Impact Assessment
List of Background Papers:	None
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