

SUBJECT: LOCALISED COUNCIL TAX SUPPORT SCHEME 2025/26

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 2025/26 Council Tax Support scheme options.
- 1.2 To propose a recommended option for a Council Tax Support scheme for the 2025/26 financial year, which must be approved by Council before 31st January 2025.

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 31st October 2024, there are 8,119 residents claiming Council Tax Support in the City of Lincoln. 2,515 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 5,604 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 5,604 (31st October 2024) working age CTS recipients is as follows:

- Working age – vulnerable: 3,399;
- Working age (not vulnerable): 2,205.

- 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 The table below shows how Lincoln’s CTS caseload has changed over the last five 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
September 2023	5,842	2,593	8,435
December 2023	5,777	2,573	8,350
March 2024	5,721	2,560	8,281
June 2024	5,732	2,546	8,278
October 2024	5,604	2,515	8,119

- 3.2 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 2024/25 CTS Scheme

4.1 The current, 2024/25 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.

4.2 In terms of the amount of revenue forgone i.e. the cost of the CTS scheme, in 2023/24, Lincoln's Council Tax revenue was reduced by 14.1%, due to its local CTS scheme. Of this, 4.5% was in the form of support to pensioners and 9.6% was support for working-age families. The table below compares the share of revenue foregone with the nearest neighbour (referring to 'similar' local authorities in terms of demographics (not location)) and England averages.

Table - Council Tax Revenue Foregone due to CTS in 2023/24

	Lincoln	Neighbour average	England average
Support for pensioners	4.5%	4.4%	3.7%
Support for working-age families	9.6%	7.0%	5.1%
Total Council Tax Support	14.1%	11.4%	8.8%

In terms of support for working-age families, the age group for which councils have discretion over the level of support provided, for Lincoln support for working-age residents was equivalent to 9.6% of Council Tax revenue. This was higher than the nearest neighbour average of 7.0% and higher than the England average of 5.1%.

5. Council Tax Support Scheme Options for 2025/26

5.1 In this Council's Medium Term Financial Strategy (MTFS), the budgeted cost of the 2025/26 CTS scheme is £1.304m (i.e., City of Lincoln Council's share 14.3%, - (with the estimated total scheme cost of c£9.369m dependent on increases in the main preceptors' levels of Council Tax).

Changes to the CTS scheme may be made for both non-vulnerable and vulnerable working age customers, however pension age residents are 'protected' and the 'default' government scheme effectively applies. If the Council wishes to continue

protecting vulnerable working age CTS recipients, then any changes to the CTS scheme will only apply to 2,205 customers or 27.16% of the caseload.

City of Lincoln's CTS caseload as at 31st October 2024, can be broken down as follows:

Caseload breakdown	Caseload	% of total caseload
Total caseload	8,119	
Pensioner	2,515	30.98%
Working age vulnerable	3,399	41.86%
Working age non-vulnerable	2,205	27.16%

- 5.2 Based on the current core elements of the existing scheme, a caseload decrease of 1%, 0% change, and an increase of 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 included in the MTFS of 98.25%.

- 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 Ministry of Housing, Communities and Local Government (MHCLG).

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 10.1% in 2023/24 (in line with the September 2022 inflation rate). The 2024/25 uprating figure, 6.7%, was announced at the Autumn Statement in November 2023. For 2025/26, uprating percentages for certain types of benefits have recently been announced but are still subject to Parliamentary approval, so precise new benefit rates are not yet known.
- 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.

- **1% caseload reduction, no change in caseload, 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 98.25%.** The revised MTFS will be based on a collection rate of 98.25% for 2025/26 (this is lower than the 2024/25 figure of 98.75%, and reflects the current lower levels of collection).

5.5 The options that have been consulted on for 2025/26, 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: Introduction of a 'banded scheme' for all working age customers** - *see paragraph 5.7 (below) for further information.

5.6 Banded Scheme for All Working Age Customers

For 2025/26, an option that was put forward for consideration was to make a fundamental change to the way CTS is calculated for working age customers. This could have potentially been a more streamlined, efficient, and easier to understand scheme based on specified income bands and percentage awards. A key factor for consideration being 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 can be 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 that was put forward for consultation was an income-banded local CTS scheme for all working age CTS customers (not just UC recipients), with key objectives being 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.

The scheme that was being modelled was based on 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.

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 2025/26 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 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 Council. As at the end of October 2024, a total of £1,779.08 EHP has been awarded for 2024/25. It is proposed that an EHP budget of £25,000 be in place for 2025/26.

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: 16th September 2024, *to consider/approve options for consultation*
- Consultation starts (6 weeks): 24th September 2024, *including consultation with public, other appropriate organisations (e.g. Citizens Advice), and major precepting authorities*
- Policy Scrutiny Committee: 1st October 2024, *as part of consultation process*
- Consultation Ends: 5th November 2024
- Executive: 6th January 2025, *to refer to Council a recommendation on a proposed 2025/26 scheme*
- Council: 21st January 2025, *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 2025.*

6. Outcomes of Consultation

6.1 151 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 a banded scheme, however also expressed concern with regard to being able to deliver a robust banded scheme option in the timescale required due to NEC ICT module requirements.
- Public consultation responses (a total of 151) were largely in favour of continuing with the current scheme, with 96 (64%) supporting a 'no change' scheme, and 55 (36%) respondents supported a working age banded scheme.
- Lincolnshire County Council was supportive of a banded scheme option, whilst recognising it had not been possible to analyse the potential financial consequence of this proposed change to the scheme. Lincolnshire County Council also stated that the option to make no changes to the scheme would also be acceptable, if the banded scheme provides uncertainty in the overall cost of the scheme.
- Lincolnshire Police and Crime Commissioner was supportive of proposals which simplify the scheme subject to minimal negative impact on overall Council Tax receipts.

7. Proposed Option for 2025/26

7.1 While the Policy Scrutiny Committee and major preceptors supported the implementation of a banded scheme, a key factor (that was unconfirmed at the time the options were proposed) was whether the Council's software supplier, could accommodate the changes being proposed within the timescales required. While the software supplier has developed a banded scheme module for the Council, due to the later than anticipated timescale at which this module was first made available for testing – and the considerable work identified as still being required to deliver a robust banded scheme option for 2025/26, - the Council is not in a position to be sufficiently satisfied to recommend a banded scheme for implementation in 2025/26. However, work will continue in coming months so this may become a potential option for consultation in respect of a 2026/27 Council Tax Support scheme.

8. Significant Policy Impacts

8.1 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. Council Tax Support awards are notified on Council Tax bills. Notification within Council Tax bills and annual CTS uprating letters are 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 2025/26 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 2025/26 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 2025/26. The cost of this fund is wholly borne by City of Lincoln Council as Billing Authority.

8.3 **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 2025.

8.4 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 will be undertaken before this report is referred to Executive.

8.5 Staffing

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

9. Risk Implications

- 9.1 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.
- 9.2 Any revisions to the scheme must be approved by 31st January 2025, before the new financial year begins.
- 9.3 The scheme cannot be changed mid-year and therefore it is vital an appropriate scheme is in place.
- 9.4 Adopting a working age banded scheme without full robust testing being completed could result in significant different levels of award (lower and higher) to Council Tax Support recipients, as well as a significant change to the cost of the scheme.

(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;

10. Recommendations

10.1 Executive is asked to:

- (i) Consider this report, taking into consideration the responses as part of the consultation.
- (ii) Approves 'no change' to the core Council Tax Support scheme for 2025/26 as set out in Section 4 and subject to the technical amendments described in paragraph 5.3.
- (iii) Approves an Exceptional Hardship Fund of £25,000 to be available, for the financial year 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?	5
	Appendix 1 – Council Tax Support Modelling 2025/26
	Appendix 2 – Policy Scrutiny Committee Draft Minutes 1 st October 2024
	Appendix 3 – Consultation response from Lincolnshire County Council
	Appendix 4 – Consultation response from Lincolnshire Police and Crime Commissioner
	Appendix 5 – Equality Impact Assessment
List of Background Papers:	None
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